

**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 SEPTEMBER 30, 2019

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.)

1605 Westgate Circle, Brentwood, Tennessee
(Address of Principal Executive Offices)

37027
(Zip Code)

(844) 266-4622
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.001 per share	IMAC	NASDAQ Capital Market
Warrants to Purchase Common Stock	IMACW	NASDAQ Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

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

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

As of November 7, 2019 the registrant had 8,551,741 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 for the fiscal year ended December 31, 2018 filed with the U.S. Securities and Exchange Commission on April 16, 2019. 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
(Unaudited)**

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
ASSETS		
Current assets:		
Cash	\$ 740,911	\$ 194,316
Accounts receivable, net	777,725	303,630
Deferred compensation, current portion	312,258	-
Other assets	331,986	170,163
Total current assets	<u>2,162,880</u>	<u>668,109</u>
Property and equipment, net	4,005,309	3,333,638
Other assets:		
Goodwill	2,042,125	2,042,125
Intangible assets, net	7,435,846	4,257,434
Deferred IPO Costs	-	335,318
Deferred compensation, net of current portion	576,483	-
Security deposits	498,129	438,163
Right of use asset	4,296,613	-
Total other assets	<u>14,849,196</u>	<u>7,073,040</u>
Total assets	<u>\$ 21,017,385</u>	<u>\$ 11,074,787</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,286,887	\$ 1,261,582
Acquisition liabilities	-	7,259,208
Patient deposits	813,286	454,380
Notes payable, current portion	1,405,719	4,459,302
Capital lease obligation, current portion	17,287	16,740
Line of credit	79,961	379,961
Liability to issue common stock, current portion	312,258	-
Operating lease liability, current portion	1,015,753	-
Total current liabilities	<u>5,931,151</u>	<u>13,831,173</u>
Long-term liabilities:		
Notes payable, net of current portion	2,162,290	317,291
Capital Lease Obligation, net of current portion	71,004	84,038
Deferred Rent	-	197,991
Lease Incentive Obligation	490,560	576,454
Liability to issue common stock, net of current portion	808,852	-
Operating lease liability, net of current portion	3,791,308	-
Total liabilities	<u>13,255,165</u>	<u>15,006,947</u>
Stockholders' equity (deficit):		
Preferred stock - \$0.001 par value, 5,000,000 authorized, nil issued and outstanding at September 30, 2019 and December 31, 2018	-	-
Common stock; \$0.001 par value, 30,000,000 authorized, 8,450,095 and 4,533,623 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively	8,450	4,534
Additional paid-in capital	18,863,254	1,233,966
Accumulated deficit	(8,593,737)	(3,544,820)
Non-controlling interest	(2,515,747)	(1,625,840)
Total stockholders' equity (deficit)	<u>7,762,220</u>	<u>(3,932,160)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 21,017,385</u>	<u>\$ 11,074,787</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Patient revenues	\$ 8,712,495	\$ 6,072,740	\$ 24,889,336	\$ 8,020,071
Contractual adjustments	(4,356,591)	(3,547,106)	(14,006,849)	(4,655,881)
Total patient revenue, net	<u>4,355,904</u>	<u>2,525,634</u>	<u>10,882,487</u>	<u>3,364,190</u>
Management fees	-	-	-	64,000
Total revenue	<u>4,355,904</u>	<u>2,525,634</u>	<u>10,882,487</u>	<u>3,428,190</u>
Operating expenses:				
Patient expenses	950,517	339,893	2,314,424	425,609
Salaries and benefits	2,878,391	1,674,224	7,536,223	2,709,489
Share-based compensation	112,959	3,748	288,298	11,248
Advertising and marketing	317,800	291,688	1,014,144	470,199
General and administrative	1,311,315	1,003,996	3,718,506	1,980,827
Depreciation and amortization	422,405	424,316	1,104,961	544,820
Total operating expenses	<u>5,993,387</u>	<u>3,737,865</u>	<u>15,976,556</u>	<u>6,142,192</u>
Operating loss	(1,637,483)	(1,212,231)	(5,094,069)	(2,714,002)
Other income (expense):				
Interest income	120	2,112	125	7,541
Other income (expenses)	(94)	-	(15,384)	18,356
Beneficial conversion interest expense	-	-	(639,159)	-
Interest expense	(74,456)	(45,812)	(190,337)	(102,092)
Total other (expenses)	<u>(74,430)</u>	<u>(43,700)</u>	<u>(844,755)</u>	<u>(76,195)</u>
Loss before equity in (loss) of non-consolidated affiliate	<u>(1,711,913)</u>	<u>(1,255,931)</u>	<u>(5,938,824)</u>	<u>(2,790,197)</u>
Equity in (loss) of non-consolidated affiliate	-	-	-	(105,550)
Net loss before income taxes	(1,711,913)	(1,255,931)	(5,938,824)	(2,895,747)
Income taxes	-	-	-	-
Net loss	(1,711,913)	(1,255,931)	(5,938,824)	(2,895,747)
Net loss attributable to the non-controlling interest	<u>162,951</u>	<u>276,263</u>	<u>889,907</u>	<u>779,463</u>
Net loss attributable to IMAC Holdings, Inc.	<u>\$ (1,548,962)</u>	<u>\$ (979,668)</u>	<u>\$ (5,048,917)</u>	<u>(2,116,284)</u>
Net loss per share attributable to common stockholders				
Basic and diluted	\$ (0.19)	\$ (0.22)	\$ (0.68)	(0.47)
Weighted average common shares outstanding				
Basic and diluted	8,366,287	4,533,623	7,472,738	4,533,623

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	<u>Common Stock</u>		<u>Additional</u>	<u>Non-</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Number of</u>	<u>Par</u>	<u>Paid-In-</u>	<u>Controlling</u>	<u>Deficit</u>	
	<u>Shares</u>		<u>Capital</u>	<u>Interest</u>		
Balance, December 31, 2017	6,582,737	\$ 6,583	\$ 1,231,917	\$ (575,994)	\$ (491,077)	\$ 171,429
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(285,191)</u>	<u>(404,665)</u>	<u>(689,856)</u>
Balance, March 31, 2018	6,582,737	6,583	1,231,917	(861,185)	(895,742)	(518,427)
Purchase of non-controlling interest	-	-	-	(319,142)	-	(319,142)
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(218,009)</u>	<u>(731,951)</u>	<u>(949,960)</u>
Balance, June 30, 2018	6,582,737	6,583	1,231,917	(1,398,336)	(1,627,693)	(1,787,529)
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(275,833)</u>	<u>(979,668)</u>	<u>(1,255,501)</u>
Balance, September 30, 2018	<u>6,582,737</u>	<u>\$ 6,583</u>	<u>\$ 1,231,917</u>	<u>\$ (1,674,169)</u>	<u>\$ (2,607,361)</u>	<u>\$ (3,043,030)</u>
Balance, December 31, 2018	4,533,623	\$ 4,534	\$ 1,233,966	\$ (1,625,840)	\$ (3,544,820)	(3,932,160)
Common stock issued for initial public offering proceeds, net of related fees	850,000	850	3,503,314	-	-	3,504,164
Issuance of common stock in connection with convertible notes	449,217	449	2,245,636	-	-	2,246,085
Issuance of common stock in connection with acquisitions	1,410,183	1,410	7,247,798	-	-	7,249,208
Exercise of warrants	9,900	10	49,490	-	-	49,500
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(431,223)</u>	<u>(1,599,187)</u>	<u>(2,030,410)</u>
Balance, March 31, 2019	7,252,923	7,253	14,280,204	(2,057,063)	(5,144,007)	7,086,387
Issuance of common stock in connection with acquisitions	1,002,306	1,002	4,072,436	-	-	4,073,438
Exercise of warrants	61,569	62	307,783	-	-	307,845
Issuance of employee stock options	-	-	16,216	-	-	16,216
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(295,733)</u>	<u>(1,900,768)</u>	<u>(2,196,501)</u>
Balance, June 30, 2019	<u>8,316,798</u>	<u>\$ 8,317</u>	<u>\$ 18,676,639</u>	<u>\$ (2,352,796)</u>	<u>\$ (7,044,775)</u>	<u>\$ 9,287,385</u>
Issuance of common stock	133,297	133	150,652	-	-	150,785
Issuance of employee stock options	-	-	35,963	-	-	35,963
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(162,951)</u>	<u>(1,548,962)</u>	<u>(1,711,913)</u>
Balance, September 30, 2019	<u>8,450,095</u>	<u>\$ 8,450</u>	<u>\$ 18,863,254</u>	<u>\$ (2,515,747)</u>	<u>\$ (8,593,737)</u>	<u>\$ 7,762,220</u>

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net loss	\$ (5,938,824)	\$ (2,895,747)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,104,961	544,821
Beneficial conversion interest expense	639,159	-
Shared based compensation	288,298	-
Non cash expense	150,785	-
Deferred rent	-	136,470
Equity in (earnings) loss of non-consolidated affiliate	-	(105,550)
(Increase) decrease in operating assets:		
Accounts receivable, net	64,046	(547,667)
Due from related parties	-	(95,501)
Other assets	(53,450)	(330,285)
Security deposits	(59,966)	(410,335)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	736,704	826,149
Patient deposits	358,906	719,831
Lease incentive obligation	(85,894)	544,658
Net cash used in operating activities	<u>(2,795,275)</u>	<u>(1,613,156)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(688,312)	(2,405,999)
Proceeds from non-controlling interest	-	347,648
Net cash used in investing activities	<u>(688,312)</u>	<u>(2,058,351)</u>
Cash flows from financing activities:		
Proceeds from initial public offering, net of related fees	3,839,482	-
Proceeds from warrants exercised	357,345	-
Proceeds from notes payable	212,800	3,429,430
Payments on notes payable	(86,958)	(148,901)
Proceeds from line of credit	20,000	494,975
Payments on line of credit	(300,000)	(140,000)
Proceeds from lease incentive	-	52,437
Payments on capital lease obligation	(12,487)	(7,898)
Proceeds from capital lease obligation	-	105,550
Net cash provided by financing activities	<u>4,030,182</u>	<u>3,785,593</u>
Net increase in cash	546,595	114,086
Cash, beginning of period	<u>194,316</u>	<u>127,788</u>
Cash, end of period	<u>\$ 740,911</u>	<u>\$ 241,874</u>
Supplemental cash flow information:		
Interest paid	<u>\$ 97,147</u>	<u>\$ 102,092</u>
Taxes paid	<u>\$ 18,533</u>	<u>\$ 461</u>
Non Cash Financing and Investing:		
Business acquisition via stock issuance	<u>\$ 3,771,978</u>	<u>\$ 7,139,397</u>

See accompanying notes to the unaudited condensed consolidated financial statements.

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

Note 1 – Description of Business

IMAC Holdings, Inc. and its affiliates (collectively, the “Company”) provide orthopedic therapies through its chain of IMAC Regeneration Centers. Through its consolidated and equity owned entities, its outpatient medical clinics provide conservative, non-invasive medical treatments to help patients with back pain, knee pain, joint pain, ligament and tendon damage, and other related soft tissue conditions. The Company has opened two (2) medical clinics located in Tennessee and opened or acquired through management service agreements twelve (12) medical clinics located in Kentucky, Missouri and Illinois at September 30, 2019. The Company has partnered with several well-known sports stars such as Ozzie Smith, Tony Delk, Mike Ditka and David Price in opening its medical clinics, with a focus around treating sports injuries.

Effective June 1, 2018, the Company converted from IMAC Holdings, LLC a Kentucky limited liability company to IMAC Holdings, Inc. a Delaware Corporation, followed by a reverse stock split in February 2019. These accounting changes have been given retrospective treatment in the condensed consolidated financial statements.

During February 2019, the Company completed an initial public offering (“IPO”) of securities. See Note 12 – Stockholders’ Equity.

Note 2 – Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying unaudited 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”). In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments (which are of a normal recurring nature) necessary for a fair presentation. Interim results are not necessarily indicative of results for a full year. Therefore, the interim unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements contained in the Company’s Annual Report on Form 10-K.

The accompanying condensed consolidated financial statements include the accounts of IMAC Holdings, Inc. (“IMAC Holdings”) 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 Management Services, LLC (“IMAC Management”), IMAC Regeneration Management, LLC (“IMAC Texas”) IMAC Regeneration Management of Nashville, LLC (“IMAC Nashville”) and IMAC Management of Illinois, LLC (“IMAC Illinois”); 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”); and the following which prior to June 1, 2018 was held as a minority interest, IMAC Regeneration Center of St. Louis, LLC (“IMAC St. Louis”).

In June 2018, the Company consummated certain transactions resulting in the acquisition of the outstanding equity interests in IMAC St. Louis and Clinic Management Associates of KY, LLC (“CMA of KY”), an entity which consolidates Integrated Medical and Chiropractic Regeneration Center, PSC (“IMAC Kentucky”) due to control by contract. These entities are included in the condensed consolidated financial statements from the date of acquisition.

In August 2018, the Company acquired 100% of Advantage Hand Therapy and Orthopedic Rehabilitation, LLC (“Advantage Therapy”) and 70% of BioFirma LLC (“BioFirma”). Both companies 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.

In April 2019, the Company consummated certain transactions resulting in the acquisition of the outstanding equity interests in ISDI Holdings II, Inc., an Illinois corporation (“ISDI Holdings II”), and PHR Holdings, Inc., an Illinois corporation (“PHR Holdings”), entities which consolidate the results of Progressive Health and Rehabilitation, Ltd (“Progressive”) and Illinois Spine and Disc Institute, Ltd (“ISDI”) due to control by contract. These entities are included in the condensed consolidated financial statements from the date of acquisition.

All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Revenue Recognition

The Company’s patient service revenue is derived from non-surgical procedures performed at our outpatient medical clinics and patient visits to physicians. The fees for such services are billed either to the patient or a third-party payer, including Medicare. We recognize patient service revenue, net of contractual allowances, which we estimate based on the historical trend of our cash collections and contractual write-offs.

Other management service fees are derived from management services where the Company provides billings and collections support to the clinics and where management services are provided based on state specific regulations known as the corporate practice of medicine (“CPM”). Under the CPM, a business corporation is precluded from practicing medicine or employing a physician to provide professional medical services. In these circumstances, the Company provides all administrative support to the physician-owned PC through 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. We recognize other management service revenue in the period in which services are rendered. These revenues are earned by IMAC Nashville, IMAC Management and IMAC Illinois and are eliminated in consolidation to the extent owned.

Patient Deposits

Patient deposits are derived from patient payments in advance of services delivered. Our service lines include traditional and regenerative medicine. Regenerative medicine procedures are not paid by insurance carriers; therefore, the Company typically requires up-front payment from the patient for regenerative services and any co-pays and deductibles as required by the patient specific insurance carrier. For some patients, credit is provided through an outside vendor. In this case, the Company is paid from the credit card company and the risk is transferred to the credit card company for collection from the patient. These funds are accounted for as patient deposits until the procedures are performed at which point the patient deposit is recognized as patient service revenue.

Fair Value of Financial Instruments

The carrying amount of accounts receivable, accounts payable and acquisition liabilities 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.

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.

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 primary collection risks are (i) the risk of overestimation of net revenues at the time of billing that may result in the Company 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 the Company when the commercial insurance company pays out-of-network claims directly to the patient, (iv) resource and capacity constraints that may prevent the Company from handling the volume of billing and collection issues in a timely manner, (v) the risk that patients do not pay the Company 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.

The Company’s accounts receivable from third-party payers are recorded net of estimated contractual adjustments and allowances from third-party payers, which are estimated based on the historical trend of the Company’s facilities’ cash collections and contractual write-offs, accounts receivable aging, established fee schedules, relationships with payers and procedure statistics. While changes in estimated reimbursement from third-party payers remain a possibility, the Company expects that any such changes would be minimal and, therefore, would not have a material effect on the Company’s financial condition or results of operations. The Company’s collection policies and procedures are based on the type of payor, size of claim and estimated collection percentage for each patient account. The operating systems used to manage the Company’s patient accounts provide for an aging schedule in 30-day increments, by payer, physician and patient. 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 Doubtful Accounts, Contractual and Other Discounts

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. The Company's allowance for doubtful accounts is based on historical experience, but management also takes into consideration the age of accounts, creditworthiness and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. An account may be written-off only after the Company has pursued collection efforts or otherwise determines an account to be uncollectible. Uncollectible balances are written-off against the allowance. Recoveries of previously written-off balances are credited to income when the recoveries are made.

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 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 its 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.

Goodwill

The Company tests goodwill for impairment on an annual basis, or when events or circumstances indicate the fair value of a reporting unit is below its carrying value.

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. There was no goodwill impairment for the periods presented.

Long-Lived Assets

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

Advertising and Marketing

The Company uses advertising and marketing to promote its services. Advertising and marketing costs are expensed as incurred. Advertising and marketing expense was \$1,014,144 and \$470,199 for the nine months ended September 30, 2019 and 2018, respectively and was \$317,800 and \$291,688 for the three months ended September 30, 2019 and 2018, respectively.

Net Loss Per Share

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

Income Taxes

IMAC Management, IMAC Texas, and IMAC Nashville are limited liability companies and are taxed as partnerships. IMAC Holdings was taxed as a partnership through May 31, 2018. As a result, income tax liabilities are passed through to the individual members. Accordingly, no provision for income taxes were reflected in the consolidated financial statements for periods prior to May 31, 2018 at which time the Company converted from a limited liability company to a Delaware corporation. Subsequent to the Company converting to a Delaware corporation, IMAC Nashville, IMAC Texas, IMAC St. Louis, and IMAC Illinois continued as single-member limited liability companies that are disregarded entities for tax purposes and do not file separate tax returns. Their activity is included as part of IMAC Holdings Inc. BioFirma is a limited liability company and is taxed as a partnership. IMAC Management is a C-corporation and is included in the consolidated return of IMAC Holdings as a subsidiary.

The Company records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. Interest and penalties related to income tax matters, if any, would be recognized as a component of income tax expense. For the nine months ended September 30, 2019 and 2018, the Company had no liabilities for uncertain tax positions. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Currently, the tax years subsequent to 2016 are open and subject to examination by the taxing authorities.

Recently Issued Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (“FASB”) issued ASU 2017-04 “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment”. This update simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under this updated standard, an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, but the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity also should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if any. This guidance is effective prospectively and is effective for interim and annual periods beginning after December 15, 2019 with early adoption permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases” which, for operating leases, requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. We adopted ASU 2016-02 on January 1, 2019. We recognized a right of use asset and a related obligation on our condensed consolidated financial statements.

Note 3 – Capital Requirements, Liquidity and Going Concern Considerations

The Company’s condensed consolidated financial statements are prepared in accordance with GAAP including the assumption of a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, as shown in the accompanying condensed consolidated financial statements, the Company has sustained substantial losses from operations since inception and has a deficiency in working capital of approximately \$3.8 million and \$13.2 million at September 30, 2019 and December 31, 2018, respectively. The Company had a net loss of approximately \$5.0 million and \$2.1 million at September 30, 2019 and 2018, respectively, and used cash of \$2.8 million and \$1.6 million for the nine month periods ended September 30, 2019 and 2018, respectively, in its operations. The Company expects to continue to incur significant expenditures to develop and expand its owned and managed outpatient medical clinics.

Management recognizes that the Company must obtain additional resources to successfully integrate its acquired and managed clinics and implement its business plans. Through December 31, 2018, the Company has received funding in the form of indebtedness. Subsequent to December 31, 2018, the Company completed an initial public offering of 850,000 units, in which the Company received aggregate gross proceeds of approximately \$4.3 million and extinguished liabilities of approximately \$7.2 million. Management plans to continue to raise funds and/or refinance our indebtedness to support our operations in 2019 and beyond. However, no assurances can be given that we will be successful. If management is not able to timely and successfully raise additional capital and/or refinance indebtedness, 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. As of September 30, 2019, the Company had no cash in excess of federally insured limits.

Revenue and Accounts Receivable

The Company had the following revenue and accounts receivable concentrations:

	September 30, 2019		December 31, 2018	
	% of Revenue	% of Accounts Receivable	% of Revenue	% of Accounts Receivable
		(Unaudited)		
Patient payment	49%	49%	62%	62%
Medicare payment	26%	26%	16%	16%
Insurance payment	25%	25%	22%	22%
Total	100%	100%	100%	100%

Note 5 – Accounts Receivable

Accounts receivable consisted of the following at September 30, 2019 and December 31, 2018:

	September 30, 2019		December 31, 2018	
	(Unaudited)			
Gross accounts receivable	\$	1,008,906	\$	314,185
Less: allowance for doubtful accounts and contractual adjustments		(231,181)		(10,555)
Accounts receivable, net	\$	777,725	\$	303,630

Note 6 – Business Acquisitions

During June 2018, the Company acquired CMA of Kentucky and IMAC St. Louis for aggregate consideration of approximately \$6.1 million, which was paid in equity of the Company. The operating results of these two companies have been included in the Company's consolidated financial statements from their dates of acquisition. The Company accounted for the transactions as business combinations and has allocated the purchase consideration to the net assets acquired based on estimated fair values.

In addition, during June 2018, the Company acquired the non-controlling interest held in its majority-owned subsidiary for \$300,000, which was paid in equity of the Company.

During August 2018, the Company acquired Advantage Therapy and BioFirma for aggregate consideration of approximately \$900,000, which was paid in cash and equity of the Company. The operating results of these two companies have been included in the Company's consolidated financial statements from their dates of acquisition. The Company accounted for the transactions as business combinations and has allocated the purchase consideration to the net assets acquired based on estimated fair values.

During April 2019, the Company acquired ISDI Holdings II and PHR Holdings for aggregate consideration of approximately \$4.1 million, which was paid in equity of the Company. The operating results of these companies have been included in the Company's consolidated financial statements from their dates of acquisition. The Company accounted for the transactions as business combinations and has allocated the purchase consideration to the net assets acquired based on estimated fair values.

IMAC Kentucky

On June 29, 2018, IMAC Management completed a merger of CMA of KY, which was merged into IMAC Management. Pursuant to this merger, IMAC Management has a long-term MSA to provide exclusive comprehensive management and related administrative services to IMAC Kentucky, an entity engaged in the practice of medicine through physicians and nurse practitioners. Under the IMAC Kentucky MSA, the Company receives service fees based on the cost of the services provided, plus a specified markup percentage, and a discretionary annual bonus.

The Company has included the consolidated financial results of IMAC Kentucky in the consolidated financial statements from the date of acquisition.

IMAC St. Louis

On June 1, 2018 the Company acquired the remaining 64% membership interest in IMAC St. Louis not already owned by it pursuant to a Unit Purchase Agreement, increasing the Company's ownership to 100%. IMAC St. Louis operates two (2) Ozzie Smith Centers in Missouri. Pursuant to the terms of the Unit Purchase Agreement, the Company agreed to pay the current owners, upon the closing of the Company's initial public offering, an amount equal to 1.05 times the total collections from payments at the IMAC St. Louis centers on account of regeneration-related services and associated products from the period from June 1, 2017 to May 31, 2018, or \$1,490,632. The purchase consideration was paid in the form of shares of our common stock based on the price per share of the Company's common stock in the Company's initial public offering. See Note 12 – Stockholders' Equity.

The Company has included the financial results of IMAC St. Louis in the consolidated financial statements from June 1, 2018, the date of acquisition.

IMAC Nashville

Also, on June 1, 2018 the Company acquired the remaining 25% of the outstanding units of the limited liability company membership interests not already owned by the Company in IMAC Nashville for \$300,000 and was paid in the form of shares of our common stock based on the price per share in the IPO. See Note 12 – Stockholders' Equity.

Advantage Therapy

On August 1, 2018, the Company entered into an agreement to purchase all outstanding membership units of Advantage Therapy. The purchase price for the interests was equal to the dollar amount represented by 0.7 times the total collections from payments for service in the Company account from June 1, 2017 to May 31, 2018, or approximately \$892,000, of which \$870,000 and \$22,000 and was paid in equity and cash, respectively. See Note 12 – Stockholders' Equity.

The Company has included the financial results of Advantage Therapy in the consolidated financial statements from August 1, 2018, the date of acquisition.

BioFirma

On August 1, 2018, the Company entered into an agreement to purchase 70% of all outstanding membership units of BioFirma LLC. The purchase price for the interests was \$1,000 paid in cash. BioFirma owns a trademark on NeoCyte, an umbilical cord-derived mononuclear cell product following FDA cGMP regulations.

The Company has included the financial results of BioFirma in the consolidated financial statements from August 1, 2018, the date of acquisition.

See Note 16 - Subsequent Events.

IMAC Illinois

On April 1, 2019, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") for the acquisition of a practice management group that manages three clinics in the Chicago, Illinois area.

The Merger was completed on April 19, 2019. Pursuant to the Merger Agreement, the Company issued 1,002,306 restricted shares of the Company's common stock (the "Merger Consideration"). The Company has included the financial results of IMAC Illinois from April 19, 2019, the date of acquisition.

The following table summarizes the fair value of consideration paid and the allocation of purchase price to the fair value of net assets acquired for the business acquisitions:

	IMAC Kentucky	IMAC St. Louis	Advantage Therapy	BioFirma	IMAC Illinois
Property & equipment	\$ 607,257	\$ -	\$ 18,647	\$ -	\$ 55,693
Intangible assets	4,224,113	264,000	37,000	1,429	3,756,285
Goodwill	-	1,327,507	713,189	-	-
Other assets	5,521	-	255,018	-	757,388
Current liabilities	(119,902)	-	(50,948)	-	(369,796)
Noncurrent liabilities	(118,413)	-	(79,975)	-	-
Non-controlling interest	-	-	-	(429)	-
	<u>\$ 4,598,576</u>	<u>\$ 1,591,507</u>	<u>\$ 892,931</u>	<u>\$ 1,000</u>	<u>\$ 4,199,570</u>

Note 7 – Property and Equipment

The Company's property and equipment consisted of the following:

	Estimated Useful Life in Years	September 30, 2019	December 31, 2018
Land and Building	40	\$ 1,175,000	\$ 1,175,000
Leasehold improvements	Shorter of asset or lease term	2,232,733	1,427,828
Equipment	1.5 - 7	2,084,025	1,180,093
Total property and equipment		<u>5,491,758</u>	<u>3,782,921</u>
Less: accumulated depreciation		(1,498,449)	(449,283)
		<u>3,993,309</u>	<u>3,333,638</u>
Construction in progress		12,000	-
Total property and equipment, net		<u>\$ 4,005,309</u>	<u>\$ 3,333,638</u>

In March 2018, the Company purchased real estate in Lexington, Kentucky for the development of an IMAC facility for approximately \$1.2 million. The Company funded the purchase with a note payable. See Note 11 – Notes Payable.

Depreciation was \$527,089 and \$220,628 for the nine months ended September 30, 2019 and 2018, respectively and \$198,813 and \$100,124 for the three months ended September 30, 2019 and 2018, respectively.

Note 8 – Intangibles Assets and Goodwill

Intangible assets that were acquired in connection with the acquisition transactions (Note 6) during 2019 and 2018:

	Estimated Useful Life	December 31, 2018		
		Cost	Accumulated Amortization	Net
Intangible assets:				
Management service agreements	10 years	\$ 4,224,113	\$ (211,206)	\$ 4,012,907
Non-compete agreements	3 years	301,000	(56,473)	244,527
Definite lived assets		4,525,113	(267,679)	4,257,434
Goodwill		2,042,125	-	2,042,125
Total intangible assets and goodwill		<u>\$ 6,567,238</u>	<u>\$ (267,679)</u>	<u>\$ 6,299,559</u>
	Estimated Useful Life	September 30, 2019		
		Cost	Accumulated Amortization	Net
Intangible assets:				
Management service agreements	10 years	\$ 7,980,398	\$ (713,829)	\$ 7,266,569
Non-compete agreements	3 years	301,000	(131,723)	169,277
Definite lived assets		8,281,398	(845,552)	7,435,846
Goodwill		2,042,125	-	2,042,125
Total intangible assets and goodwill		<u>\$ 10,323,523</u>	<u>\$ (845,552)</u>	<u>\$ 9,477,971</u>

Amortization was \$577,873 and \$324,192 for the nine months ended September 30, 2019 and 2018, respectively and \$223,593 and \$279,983 for the three months ended September 30, 2019 and 2018, respectively.

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

Years Ending December 31,	
2019 (three months)	\$ 224,593
2020	898,373
2021	841,901
2022	798,040
2023	798,040
Thereafter	3,874,899
	<u>\$ 7,435,846</u>

Note 9 – Operating Leases

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

Discount Rate Applied to Operating Leases

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

The Company determined the appropriate IBR by identifying a reference rate and making adjustments that take into consideration financing options and certain lease-specific circumstances. For the reference rate, the Company used the ten year mortgage interest rate.

Right of Use Assets

Right of use assets are included in the condensed consolidated Balance Sheet as follows:

Non-current assets

Right of use assets, net of amortization	\$	4,296,613
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Total operating lease cost

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

	<u>Nine Months Ended September 30, 2019</u>	
Operating lease expense	\$	751,175

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:

	<u>Operating Leases</u>	
Undiscounted future minimum lease payments:		
2019 (remainder of year)	\$	285,864
2020		1,080,400
2021		911,793
2022		913,608
2023		854,451
Thereafter		<u>1,137,601</u>
Total		5,183,717
Amount representing imputed interest		<u>(376,656)</u>
Total operating lease liability		4,807,061
Current portion of operating lease liability		<u>(1,015,753)</u>
Operating lease liability, non-current	\$	<u>3,791,308</u>

Note 10 – Lines of Credit

IMAC Nashville has a \$150,000 line of credit with a financial institution that matured on October 15, 2018. The line bore interest at 6.50% per annum. The line was secured by substantially all of the Company's assets and personally guaranteed by the members. The line had a \$150,000 balance at December 31, 2018 and was repaid in February 2019.

IMAC Kentucky has a \$150,000 line of credit with a financial institution that matured on August 1, 2018. The line accrued interest at 4.25% per annum. The line was secured by substantially all of the IMAC Kentucky's assets and personally guaranteed by the members. The line had a \$150,000 balance at December 31, 2018 and was repaid in July 2019.

Advantage Therapy has a \$100,000 line of credit with a financial institution that matures on November 20, 2020. The line bears interest at a variable rate which is currently 6.0% per annum. The line is secured by substantially all of IMAC Holding's assets. The line had a \$79,975 balance at December 31, 2018 and \$79,961 at September 30, 2019.

Progressive had a \$750,000 line of credit with a financial institution that matured August 2019. The line had a balance of \$140,000 when it was converted to a note payable on September 19, 2019.

Note 11-Notes Payable

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Note payable to The Edward S. Bredniak Trust in the amount of up to \$2,000,000. An existing note payable with this entity in the amount of \$379,676 has been combined into the new note payable which carries an interest rate of 10% per annum. The Note was amended in June 2019 and all outstanding balances are due January 5, 2021.	\$ 1,750,000	\$ 1,584,426
Note payable to a financial institution in the amount of \$200,000 dated November 15, 2017. The note requires 66 consecutive monthly installments of \$2,652 including principal and interest at 5%, with a balloon payment of \$60,000 which was paid on June 15, 2018. The note matures on May 15, 2023, and is secured by the personal guarantees of certain Company executives.	106,268	125,670
Convertible notes interest accrued at 4%, and converted to common stock upon the closing of the Initial Public Offering. The notes may be converted to equity at or prior to maturity at a 20% discount to the per share price of a sale of equity securities. At the time of issuance of the convertible notes, the Company was unable to calculate the amount of a beneficial conversion ("BCF") and related discount to be recorded until the occurrence of a Qualified Financing by the Company. The Qualified Financing occurred during the first quarter of 2019, at which time the Company recorded the BCF liability and related interest charge of approximately \$639,000 associated with the discount. The BCF liability was reclassified to paid-in-capital upon conversion of the convertible notes.	-	1,540,000
\$1.2 million mortgage loan with a financial institution. The loan agreement was for 6-months and carries an interest rate 3.35%. The loan matured in 2019. It is due on demand, with interest currently being paid monthly.	1,232,500	1,232,500
Note payable to a financial institution in the amount of \$131,400 dated August 1, 2016. The note requires 120 monthly installments of \$1,394 including principal and interest at 5%. The note matures on July 1, 2026, and is secured by a letter of credit.	96,637	105,374
Note payable to a financial institution in the amount of \$200,000 dated May 4, 2016. The note requires 60 monthly installments of \$3,881 including principal and interest at 4.25%. The note matures on May 4, 2021, and is secured by the equipment and personal guarantees of certain Company executives.	74,801	106,778
Note payable to an employee in the amount of \$101,906 dated March 8, 2017. The note requires 5 annual installments of \$23,350 including principal and interest at 5%. The note matures on December 31, 2021, and is unsecured.	60,000	60,000
Note payable to a financial institution in the amount of \$133,555 dated September 17, 2014. The note requires 60 monthly installments of \$2,475 including principal and interest at 4.25%. The note was repaid in September 2019.	-	21,845
\$112,800 payable to a landlord of Advantage Therapy, LLC pursuant to a lease dated March 1, 2019. The debt is payable in 60 monthly installments of \$2,129, including principal and interest at 5%. The debt matures on June 1, 2024.	107,803	-
Note payable to a financial institution in the amount of \$140,000, dated September 25, 2019. The note requires 36 consecutive monthly installments of \$4,225 including principal and interest at 5.39%. The note matures on September 19, 2022 and is secured by a personal guarantee of the Vice President of Business Development of the Company.	140,000	-
	<u>3,568,009</u>	<u>4,776,593</u>

Less: current portion:

(1,405,719)

(4,459,302)

\$ 2,162,290

\$ 317,291

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

<u>Years Ending December 31,</u>	<u>Amount</u>
2019 (three months)	\$ 1,288,890
2020	170,054
2021	1,900,181
2022	104,187
2023	51,657
Thereafter	53,040
Total	<u>\$ 3,568,009</u>

Note 12 – Stockholders' Equity

Prior to the Company's conversion to a corporation, the Company had 400 member units authorized with 365 units issued and outstanding.

On June 1, 2018, the Company converted its 365 outstanding member units into 6,582,737 shares of common stock with a \$0.001 par value pursuant to the Company's conversion from a limited liability company to a corporation. The conversion has been given retrospective treatment.

On February 12, 2019, the Company reverse split its 6,582,737 shares of common stock to 4,533,623 shares of common stock outstanding pursuant to an amendment of the Company's certificate of incorporation. The reverse split has been given retrospective treatment.

During February 2019, the Company completed an initial public offering of securities and issued 850,000 shares of its common stock, along with 1,700,000 warrants to purchase common stock and an option to purchase 34,000 shares of common stock for gross proceeds of \$4,356,815. The Company also issued 449,217 shares of common stock for the conversion of its 4% convertible notes and 1,410,183 shares to satisfy deferred acquisition consideration payable in connection with its 2018 business acquisitions.

On April 19, 2019, the Company consummated the transactions contemplated by the Merger Agreement and issued 1,002,306 shares of its common stock as Merger Consideration.

On July 15, 2019, the Company signed a \$10 million share purchase agreement (the "Purchase Agreement") with Lincoln Park Capital Fund, LLC ("Lincoln Park"), an Illinois limited liability company. In consideration for entering into the \$10 million agreement, the Company issued to Lincoln Park 60,006 shares of Company common stock as a commitment fee. The Purchase Agreement limits our sales of shares of common stock to Lincoln Park to 1,669,359 shares of common stock, representing 19.99% of the shares of common stock outstanding on the date of the Purchase Agreement unless (a) stockholder approval is obtained to issue more than such amount or (b) the average price of all applicable sales of our common stock to Lincoln Park under the Purchase Agreement equals or exceeds the lower of (i) the closing price of our common stock on the Nasdaq Capital Market immediately preceding July 15, 2019 or (ii) the average of the closing price of our common stock on the Nasdaq Capital Market for the five business days immediately preceding July 15, 2019.

2018 Incentive Compensation Plan

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

Stock Options

At December 31, 2018, the Company had no outstanding stock options to purchase its common stock. As of September 30, 2019, the Company had outstanding stock options to purchase 316,518 shares of its common stock which were granted during the second and third quarter of 2019 as non-qualified stock options to various employees of the Company. These options vest over a period of four years, with 25% vesting in May 2020 and the remaining 75% vesting in equal monthly installments over the following 36 months, are exercisable for a period of ten years, and enable the holders to purchase shares of the Company's common stock at the exercise price of \$4.04. The per-share fair values of these options are \$1.87, based on Black-Scholes-Merton pricing model with the following assumptions: a volatility rate of 32.2%, risk free rate of 2.4% and the expected term of 10 years.

Restricted Stock Units

On May 21, 2019, the Company granted an aggregate of 277,500 Restricted Stock Units ("RSUs") to certain employees, executives and Board members, the terms of which vest over various periods between the date of grant and four years following the date of grant. On August 13, 2019, 30,000 shares of common stock were issued pursuant to granted RSUs which had vested as of such date.

Note 13 – Retirement Plan

The Company offers a 401(k) plan that covers eligible employees. The plan provides for voluntary salary deferrals for eligible employees. Additionally, the Company is required to make matching contributions of 50% of up to 6 % of total compensation for those employees making salary deferrals. The Company made contributions of \$40,804 and \$15,580 during the nine months ended September 30, 2019 and 2018, respectively and \$20,042 and \$15,580 during the three months ended September 30, 2019 and 2018, respectively.

Note 14 – Income Taxes

The Company's provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The sources and tax effects of the differences are as follows:

Deferred tax benefit at the federal statutory rate	21%
Valuation allowance	-21%
	<u>0%</u>

At September 30, 2019, the Company has a net operating loss carryforward of approximately \$3.7 million for federal and state income tax purposes. This loss will be available to offset future taxable income. If not used, this carryforward will begin to expire in 2029. The deferred tax asset relating to the operating loss carryforward has been fully reserved at September 30, 2019. The principal differences between the operating loss for income tax purposes and reporting purposes are shares issued for services and share-based compensation and a temporary difference in depreciation expense.

Note 15 – Commitments and Contingencies

The Company is subject to extensive regulation, including health insurance regulations directed at ascertaining the appropriateness of reimbursement, preventing fraud and abuse and otherwise regulating reimbursement. To ensure compliance, various insurance providers often conduct audits and request patient records and other documents to support claims submitted by the Company for payment of services rendered to customers. In the event that an audit results in discrepancies in the records provided, insurance providers may be entitled to extrapolate the results of the audit to make overpayment demands based on a wider population of claims than those examined in the audit.

From time to time the Company may become subject to threatened and/or asserted claims arising in the ordinary course of our business. 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.

Note 16 - Subsequent Events

In February 2019, the Company was made aware of a lawsuit involving a contract dispute with our subsidiary BioFirma. The lawsuit was resolved in October 2019 for \$17,500.

On October 1, 2019, Dr. Ian White and the Company entered into an Assignment and Assumption of Interests of BioFirma LLC, pursuant to which Dr. White assigned to the Company the 30% of BioFirma's membership interests which were not previously held by the Company, resulting in the Company owning 100% of the membership interests of BioFirma.

On October 18, 2019, the Company and BioFirma entered into an asset purchase agreement with Self Care Regeneration LLC (the "Buyer") for the sale of substantially all of BioFirma's assets (the "Sale") to the Buyer for a purchase price of \$320,800, plus the assumption of certain of BioFirma's liabilities. The Sale is subject to certain closing conditions and is expected to be completed in the fourth quarter of 2019.

Between October 1, 2019 and November 7, 2019, pursuant to the Purchase Agreement, the Company sold an aggregate 101,646 shares of common stock of the Company to Lincoln Park for aggregate proceeds to the Company of \$274,485.

Effective November 1, 2019, the Company and Integrative RehabMedicine, S.C. entered into a one year management services agreement with an automatic renewal option. The Company will provide administrative, managerial, billing and collection services to Integrative RehabMedicine, S.C. for a management service fee based on net revenues.

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

This management's discussion and analysis of financial condition and results of operations ("MD&A"), contains forward-looking statements that involve risks and uncertainties. Please see "Important Information Regarding Forward-Looking Statements" for a discussion of the uncertainties, risks, and assumptions that may cause our actual results to differ materially from those discussed in the forward-looking statements. This discussion should be read in conjunction with our unaudited condensed consolidated financial statements and related notes thereto and the other disclosures contained elsewhere in this Quarterly Report on Form 10-Q, and the audited consolidated financial statements and related notes thereto for the fiscal year ended December 31, 2018, which were included in our Form 10-K, filed with the SEC on April 16, 2019.

The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

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, in each case, their consolidated subsidiaries.

Overview

We are a provider of movement and orthopedic therapies and minimally invasive procedures performed through our regenerative and rehabilitative medical treatments to improve the physical health of our patients at our fast-growing chain of IMAC Regeneration Centers which we own or manage. Our outpatient medical clinics provide conservative, minimally invasive medical treatments to help patients with back pain, knee pain, joint pain, ligament and tendon damage, and other related soft tissue conditions. Our licensed healthcare professionals evaluate each patient and provide a custom treatment plan that integrates traditional medical procedures and innovative regenerative medicine procedures in combination with physical medicine. We do not use or offer opioid-based prescriptions as part of our treatment options in order to help our patients avoid the dangers of opioid abuse and addiction. The original IMAC Regeneration Center opened in Kentucky in August 2000 and remains the flagship location of our current business, which was formally organized in March 2015. To date, we have opened seven and acquired seven outpatient medical clinics in Kentucky, Missouri, Tennessee and Illinois, and plan to further expand the reach of our facilities to other strategic locations throughout the United States. We have partnered with several active and former professional athletes, including Ozzie Smith, David Price, Tony Delk and Mike Ditka, in the branding of our IMAC Regeneration Centers. Our outpatient medical clinics emphasize our focus around treating sports and orthopedic injuries.

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

Revenues

Our revenue mix is diversified between medical treatments and physiological treatments. Our medical treatments are further segmented into traditional medical and regenerative medicine practices. For the last full fiscal year and the nine months ended September 30, 2019, traditional medical treatments comprised approximately 23% of our total net patient revenues, while regenerative medicine accounted for approximately 33% of our total net patient revenues. Physiological treatments generated the remainder of our total net patient revenues as physical therapy amounted to 40% and chiropractic care at 7% of such revenues. We are an in-network provider for traditional physical medical treatments, such as physical therapy, chiropractic services and medical evaluations, with most private health insurance carriers. Regenerative medical treatments are typically not covered by insurance, but paid by the patient. For more information on our revenue recognition policies, see "Critical Accounting Policies and Estimates - Revenue Recognition."

We recorded consolidated patient billings of \$8,712,495 and \$6,072,740 for the three months ended September 30, 2019 and 2018, respectively, and realized total net patient revenues, less allowances for contractual adjustments with third-party payers, of \$4,355,904 and \$2,525,634 for the three months ended September 30, 2019 and 2018, respectively. Our net loss for the three months ended September 30, 2019 and 2018 was \$1,548,962 and \$979,668, respectively. We recorded consolidated patient billings of \$24,889,336 and \$8,020,071 for the nine months ended September 30, 2019 and 2018, respectively, and realized total net patient revenues, less allowances for contractual adjustments with third-party payers, of \$10,882,487 and \$3,428,190 for the nine months ended September 30, 2019 and 2018, respectively. Our net loss for the nine months ended September 30, 2019 and 2018 was \$5,048,917 and \$2,116,284, respectively.

Corporate Conversion

Prior to June 1, 2018, we were a Kentucky limited liability company named IMAC Holdings, LLC. Effective June 1, 2018, we converted into a Delaware corporation pursuant to a statutory merger (the "Corporate Conversion") and changed our name to IMAC Holdings, Inc. All of our outstanding membership interests were exchanged on a proportional basis into shares of common stock of IMAC Holdings, Inc.

Following the Corporate Conversion, IMAC Holdings, Inc. continues to hold all of the property and assets of IMAC Holdings, LLC and all of the debts and obligations of IMAC Holdings, LLC continue as the debts and obligations of IMAC Holdings, Inc. The purpose of the Corporate Conversion was to reorganize our corporate structure so that the top tier entity in our corporate structure is a corporation rather than a limited liability company and so that our existing owners own shares of our common stock rather than membership interests in a limited liability company. Except as otherwise noted herein, the condensed consolidated financial statements (unaudited) included herein are those of IMAC Holdings, Inc. and its consolidated subsidiaries.

Initial Public Offering

On February 15, 2019, we completed our initial public offering of 850,000 units, with each unit consisting one share of our common stock and two warrants each to purchase one share of our common stock, at a combined initial public offering price of \$5.125 per unit. The exercise price of the warrants is \$5.00 per warrant. The units immediately and automatically separated upon issuance, and the common stock and warrants trade on The NASDAQ Capital Market under the ticker symbols "IMAC" and "IMACW," respectively.

We received aggregate gross proceeds of \$4,356,250 from our initial public offering, before deducting underwriting discounts, commissions and other related expenses. Proceeds from the offering will be used for financing the costs of leasing, developing and acquiring new clinic locations, funding research and new product development activities, and for working capital and general corporate purposes.

In addition, upon the closing of our initial public offering, we issued unit purchase options to Dawson James Securities, Inc., as representative of the several underwriters, and its affiliates entitling them to purchase a number of our securities equal to 4% of the securities sold in the initial public offering. The unit purchase options have an exercise price equal to 120% of the public offering price of the units (or \$6.15 per share and two warrants) and may be exercised on a cashless basis. The unit purchase options are not redeemable by us.

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 identify, contract with, install equipment and operate a large number of outpatient medical clinics and attract new patients to them;
- Our need to hire additional healthcare professionals in order to operate the large number of clinics we intend to open;
- Our ability to enhance revenue at each facility on an ongoing basis through additional patient volume and new services;
- Our ability to obtain additional financing for the projected costs associated with the acquisition, management and development of new clinics, 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 as we expand our organization into neighboring states.

Critical Accounting Policies and Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses at the date and for the periods that the condensed consolidated financial statements are prepared. On an ongoing basis, we evaluate our estimates, including those related to insurance adjustments and provisions for doubtful accounts. 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 Condensed Consolidated Financial Statements (Unaudited), the following accounting policies require our most difficult, subjective or complex judgments in the preparation of our financial statements.

Revenue Recognition

Our patient service revenue is derived from minimally invasive procedures performed at our outpatient medical clinics and patient visits to physicians. The fees for such services are billed either to the patient or a third-party payer, including Medicare. We recognize patient service revenue, net of contractual adjustments, which we estimate based on the historical trend of our cash collections and contractual write-offs in the period in which services are performed. Contractual adjustments represent discounts offered for patients serviced within a negotiated third-party payer contract.

Other management service fees are derived from management services where we provide billings and collections support to the clinics and where management services are provided based on state specific regulations known as the corporate practice of medicine (“CPM”). Under the CPM, a business corporation is precluded from practicing medicine or employing a physician to provide professional medical services. In these circumstances, we provide all administrative support to the physician-owned professional corporation (“PC”) through a limited liability company. The PC is consolidated due to control by contract (an “SMA” or Service Management Agreement). The fees we derive from these management arrangements are based on a percentage mark-up on the costs of the LLC. We recognize other management service revenue in the period in which services are rendered. These revenues are eliminated in consolidation.

Patient Deposits

Patient deposits are derived from patient payments in advance of services delivered. Our service lines include traditional and regenerative medicine. Regenerative medicine procedures are not paid by insurance carriers; therefore, we typically require 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, we are paid from the outsourced credit vendor and the risk is transferred to the credit vendor for collection from the patient. These funds are accounted for as patient deposits until the procedures are performed at which point the patient deposit is recognized as patient service revenue.

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 condensed 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 receivables 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.

Income Taxes

Prior to June 1, 2018, IMAC Holdings, IMAC Management Services, IMAC Texas, IMAC of St. Louis and IMAC Nashville were limited liability companies and taxed as partnerships. As a result, income tax liabilities were passed through to the individual members. Any future tax benefit arising from post conversion corporate losses have been offset by a valuation allowance. Accordingly, no provision for income taxes is reflected in our condensed consolidated financial statements. For more information, see "Corporate Conversion."

Results of Operations for the Three and Nine Months Ended September 30, 2019 Compared to the Three and Nine Months Ended September 30, 2018

Revenues

Revenues for the three months ended September 30, 2019 and 2018 were as follows:

	Three Months Ended September 30,	
	2019	2018
	<i>(in thousands, unaudited)</i>	
Revenues:		
Outpatient facility services	\$ 4,295	\$ 2,526
All other	61	-
Total revenues	\$ 4,356	\$ 2,526

Revenues for the nine months ended September 30, 2019 and 2018 were as follows:

	Nine Months Ended September 30,	
	2019	2018
	<i>(in thousands, unaudited)</i>	
Revenues:		
Outpatient facility services	\$ 10,733	\$ 3,364
All other	149	64
Total revenues	\$ 10,882	\$ 3,428

Patient service revenues increased 72% to \$4.4 million for the three months ended September 30, 2019, compared to \$2.5 million for the three months ended September 30, 2018. Patient service revenues increased 223% to \$10.9 million for the nine months ended September 30, 2019, compared to \$3.4 million for the nine months ended September 30, 2018. These increases were primarily due to the 2019 acquisitions of ISDI Holdings II and PHR Holdings (collectively "IMAC of Illinois") and 2018 acquisitions of IMAC of Kentucky, IMAC of Missouri and Advantage Health. The change in other service revenues is due to a decrease in management and administrative service fees derived from non-consolidated outpatient clinics.

Procedures performed and visits to our clinics are an indication of business activity. Procedures increased 179% for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. Procedures increased from 86,647 in the nine months ended September 30, 2018 to 241,415 in the nine months ended September 30, 2019. Visits to our clinics increased by 206% for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018. Visits increased from 33,217 for the nine months ended September 30, 2018 to 101,798 in the nine months ended September 30, 2019.

Procedures increased 17% for the quarter ended September 30, 2019 compared to the quarter ended September 30, 2018. Procedures increased from 70,083 in the quarter ended September 30, 2018 to 82,232 in the quarter ended September 30, 2019. Visits to our clinics showed an increase of 30% for the quarter ended September 30, 2019 compared to the quarter ended September 30, 2018. Visits increased from 27,526 for the quarter ended September 30, 2018 to 35,749 in the quarter ended September 30, 2019.

Operating Expenses

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

Patient expenses consist of medical supplies for services rendered.

Patient Expenses	2019	2018	Change from Prior Year	Percent Change from Prior Year
Three Months Ended September 30,	\$ 950,517	\$ 339,893	\$ 610,624	180%
Nine Months Ended September 30,	2,314,424	425,609	1,888,815	444%

Cost of revenues (patient expense) increased for the three and nine months ended September 30, 2019 as compared to September 30, 2018, driven by the increase in procedures performed and due to the 2019 acquisition of IMAC of Illinois and 2018 acquisitions of IMAC of Kentucky, IMAC of Missouri and Advantage Health.

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

Salaries and Benefits	2019	2018	Change from Prior Year	Percent Change from Prior Year
Three Months Ended September 30,	\$ 2,878,391	\$ 1,674,224	\$ 1,204,167	72%
Nine Months Ended September 30,	7,536,223	2,709,489	4,826,734	178%

Salaries and benefits expenses for the three and nine months ended September 30, 2019 as compared to September 30, 2018 increased \$0.9 million and \$4.2 million, which was attributable to our 2019 and 2018 acquisitions and the costs related to our operating as a public company.

Share-based compensation consists of the value of equity incentive grants issued to employees, directors and Company ambassadors which have vested during the period.

<u>Share-based Compensation</u>	<u>2019</u>	<u>2018</u>	<u>Change from Prior Year</u>	<u>Percent Change from Prior Year</u>
Three Months Ended September 30,	\$ 112,959	\$ 3,748	\$ 109,211	2,914%
Nine Months Ended September 30,	288,298	11,248	277,050	2,463%

At the time of the compensation, our company was still a limited liability company; therefore, compensation was in the form of limited liability company units instead of stock. The units converted to stock effective upon the Corporate Conversion.

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

<u>Advertising and Marketing</u>	<u>2019</u>	<u>2018</u>	<u>Change from Prior Year</u>	<u>Percent Change from Prior Year</u>
Three Months Ended September 30,	\$ 317,800	\$ 291,688	\$ 26,112	9%
Nine Months Ended September 30,	1,014,144	470,199	543,945	116%

Advertising and marketing increase was driven by the 2019 acquisition of IMAC of Illinois and 2018 acquisitions of IMAC of Kentucky, IMAC of Missouri and Advantage Health.

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

<u>General and Administrative</u>	<u>2019</u>	<u>2018</u>	<u>Change from Prior Year</u>	<u>Percent Change from Prior Year</u>
Three Months Ended September 30,	\$ 1,311,315	\$ 1,003,996	\$ 307,319	31%
Nine Months Ended September 30,	3,718,506	1,980,827	1,737,679	88%

G&A expense increase was primarily due to travel, rent, insurance and service fees related to the 2019 acquisition of IMAC of Illinois and 2018 acquisitions of IMAC of Kentucky, IMAC of Missouri and Advantage Health. The average monthly rent for the nine months ending September 30, 2019 and 2018, respectively was \$115,000 and \$64,000.

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.

<u>Depreciation and Amortization</u>	<u>2019</u>	<u>2018</u>	<u>Change from Prior Year</u>	<u>Percent Change from Prior Year</u>
Three Months Ended September 30,	\$ 422,405	\$ 424,316	\$ (1,911)	-0.5%
Nine Months Ended September 30,	1,104,961	544,820	560,141	103%

The increase in depreciation and amortization expense for the nine months ended September 30, 2019 as compared to the nine months ended September 30, 2018 was driven by the 2019 acquisition of IMAC of Illinois and 2018 acquisitions of IMAC of Kentucky, IMAC of Missouri and Advantage Health. The decrease in depreciation and amortization expense for the three months ended September 30, 2019 as compared to the three months ended September 30, 2018 was driven by some of the property and equipment from IMAC Management, IMAC Nashville and IMAC St. Louis having been fully depreciated during the three months ended September 30, 2019.

Net loss attributable to the non-controlling interest

Net loss attributable to the non-controlling interest is the amount of net income (loss) for the period allocated to non-controlling partners of IMAC Holdings, Inc. that is included in the entity's consolidated financial statements.

Liquidity and Capital Resources

As of September 30, 2019, we had \$740,911 in cash and deficiency in working capital of \$3,768,272. As of December 31, 2018, we had cash of \$194,316 and deficiency in working capital of \$13,163,064. The decrease in working capital deficiency was primarily due to the capital raised pursuant to our initial public offering completed in February 2019.

In February 2019, we completed an initial public offering of units of our common stock and warrants to purchase our common stock for net proceeds to us of approximately \$3,839,482, after deducting underwriting discount and commissions and estimated offering expenses payable by us. We believe the net proceeds of our recent public offering, together with the cash at September 30, 2019 will be sufficient to meet our cash, operational and liquidity requirements for at least 12 months.

As of September 30, 2019, we had approximately \$5.9 million in current liabilities. In connection with the closing of our initial public offering in February 2019, we subsequently satisfied approximately \$7.2 million in acquisition-related liabilities through the issuance of common stock and converted approximately \$1.7 million in promissory notes issued in our 2018 private placement into shares of common stock. Of the remaining current liabilities, approximately \$1.2 million represents a mortgage on our Lexington, Kentucky property, and approximately \$0.8 million represents patient deposits prior to services being performed, which will be recognized as revenue in the near term. Lastly, we have approximately \$2.4 million in current liabilities outstanding to our vendors and in operating lines of credit, which we have historically paid down in the normal course of our business.

As of September 30, 2019, we had an accumulated deficit of \$8.6 million. Prior to our initial public offering, we funded our operations primarily through the sale and issuance of convertible notes, bridge loans, and the use of funds from operations. Accordingly, 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 independent registered public accounting firm has indicated that our financial condition raises substantial doubt as to our ability to continue as a going concern.

On July 15, 2019, we signed a \$10 million purchase agreement (the “Purchase Agreement”) with Lincoln Park Capital Fund, LLC (“Lincoln Park”), an Illinois limited liability company. We also entered into a registration rights agreement (the “Registration Agreement”) with Lincoln Park in which we agreed to file a registration statement related to the transaction with the SEC covering the shares of our common stock that may be issued to Lincoln Park under the Purchase Agreement.

Pursuant to the Purchase Agreement, we have the right, in our sole discretion, over a 36-month period to sell shares of common stock to Lincoln Park, subject to certain limitations contained in the Purchase Agreement, in amounts up to 50,000 shares per regular sale, which may be increased to up to 100,000 shares depending on certain conditions as set forth in the Purchase Agreement (and subject to adjustment for any reorganization, recapitalization, non-cash dividend, stock split, reverse stock split or other similar transaction as provided in the Purchase Agreement), up to the aggregate commitment of \$10 million (“Regular Purchases”). In addition to Regular Purchases and subject to the terms and conditions of the Purchase Agreement, we in our sole discretion may direct Lincoln Park on each purchase date to make “accelerated purchases” and “additional accelerated purchases” on the following business day as provided in the Purchase Agreement. However, in no event may we sell any number of shares that would result in Lincoln Park beneficially owning more than 4.99% of our outstanding common stock.

There are no upper limits on the per share price Lincoln Park may pay to purchase our common stock; however, we may not sell more than \$1,000,000 in shares of common stock to Lincoln Park per Regular Purchase. The purchase price of the shares related to the \$10 million of future funding will be based on the prevailing market prices of our shares without any fixed discount. Furthermore, we control the timing and amount of any future sales, if any, of shares of common stock to Lincoln Park.

The Purchase Agreement limits our sales of shares of common stock to Lincoln Park to 1,669,359 shares of common stock, representing 19.99% of the shares of common stock outstanding on the date of the Purchase Agreement unless (a) stockholder approval is obtained to issue more than such amount or (b) the average price of all applicable sales of our common stock to Lincoln Park under the Purchase Agreement equals or exceeds the lower of (i) the closing price of our common stock on the Nasdaq Capital Market immediately preceding July 15, 2019 or (ii) the average of the closing price of our common stock on the Nasdaq Capital Market for the five Business Days immediately preceding July 15, 2019.

The Purchase Agreement contains customary representations, warranties, covenants, closing conditions and indemnification and termination provisions by, among and for the benefit of the parties. Additionally, Lincoln Park has agreed not to cause or engage in any manner whatsoever, any direct or indirect short selling or hedging of our common stock. The Purchase Agreement does not limit our ability to raise capital from other sources at our sole discretion, provided that we have agreed not to enter into any “variable rate” transactions with any third party for the 36-month period following the execution of the Purchase Agreement.

In consideration for entering into the \$10 million agreement, we issued to Lincoln Park 60,006 shares of our common stock as a commitment fee and will issue up to an additional 60,006 shares pro rata, when and if Lincoln Park purchases, at the Company’s sole discretion, the \$10 million aggregate commitment. The Purchase Agreement may be terminated by us at any time at our discretion without any cost to us. The proceeds received by us under the Purchase Agreement may be used for any corporate purpose at our sole discretion.

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 nine months ended September 30, 2019, net cash used in operations increased to \$2.8 million compared to \$1.6 million for the nine months ended September 30, 2018. This increase was primarily attributable to our net loss.

Net cash used in investing activities during the nine months ended September 30, 2019 and 2018 were \$0.7 million and \$2.1 million, respectively. This was primarily driven by purchases of property and equipment and leasehold improvements, which were \$0.7 million and \$2.4 million for the nine months ended September 30, 2019 and 2018, respectively.

Net cash provided by financing activities during the nine months ended September 30, 2019 was \$4.0 million, including proceeds from our initial public offering, net of related fees, which totaled \$3.8 million. Net cash provided by financing activities during the nine months ended September 30, 2018 was \$3.8 million, including proceeds from notes payable, which totaled \$3.4 million.

Contractual Obligations

The following table summarizes our contractual obligations by period as of September 30, 2019:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Short-term obligations	\$ 1,485,680	\$ 1,485,680	\$ -	\$ -	\$ -
Long-term obligations, including interest	2,162,290	-	2,100,771	49,239	12,280
Capital lease obligations, including interest	88,291	17,287	56,573	14,431	-
Operating lease obligations	4,807,061	1,015,753	2,495,134	940,090	356,084
	<u>\$ 8,543,322</u>	<u>\$ 2,518,720</u>	<u>\$ 4,652,478</u>	<u>\$ 1,003,760</u>	<u>\$ 368,364</u>

Off-Balance Sheet Arrangements

As of September 30, 2019, we did not have any off-balance sheet arrangements.

Impact of Inflation

We believe that inflation has not had a material impact on our results of operations for the three and nine months ended September 30, 2019 and 2018. 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 interim 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 interim 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 September 30, 2019. 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 interim 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 September 30, 2019.

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.

In February 2019, we received notice of a lawsuit involving our subsidiary BioFirma. The lawsuit was resolved in October 2019 for \$17,500.

ITEM 1A. RISK FACTORS

Investors should carefully review and consider the information regarding certain factors which could materially affect our business, operating results, cash flows, and financial condition set forth under Item 1A, Risk Factors, in our fiscal 2018 Annual Report on Form 10-K filed with the SEC on April 16, 2019.

We do not believe that there have been any other material additions or changes to the risk factors previously disclosed in our fiscal 2018 Annual Report on Form 10-K, although we may disclose changes to such factors or disclose additional factors from time to time in our future filings with the SEC. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

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

On July 18, 2019, the Company issued to Lincoln Park 60,006 shares of Company common stock as a commitment fee (the "Initial Commitment Shares") in connection with a financing transaction between the Company and Lincoln Park. The Initial Commitment Shares were issued in reliance on an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), provided by Section 4(a)(2) of the Securities Act as a private offering. Such issuance did not involve a public offering and was made without general solicitation or advertising.

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>Bylaws of IMAC Holdings, Inc. (filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1 filed with the SEC on September 17, 2018 and incorporated herein by reference).</u>
10.1*	<u>Lease, dated as of March 1, 2019, by and between Advantage Therapy, LLC and Sagamore Hill Development Company, LLC.</u>
10.2	<u>Purchase Agreement, dated as of July 15, 2019, by and between the Company and Lincoln Park Capital Fund, LLC (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on July 16, 2019 and incorporated herein by reference).</u>
10.3*	<u>Amended and Restated Term Note, dated as of September 19, 2019, made by Progressive Health and Rehabilitation, LTD in favor of PNC Bank, National Association.</u>
31.1*	<u>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.</u>
31.2*	<u>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.</u>
32.1**	<u>Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2**	<u>Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Labels Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase

* 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: November 14, 2019

By: /s/ Jeffrey S. Ervin

Jeffrey S. Ervin

Chief Executive Officer

(Principal Executive Officer, Duly Authorized Officer)

SAGAMORE HILL DEVELOPMENT

I. LEASE INFORMATION SUMMARY (“LIS”).

- 1. Landlord: Sagamore Hill Development Company, LLC
c/o RB Murray Company, 2225 S. Blackman Road, Springfield, MO 65809, Attn: Ross Murray
Telephone: (417) 881-0600 Email: ross@rbmurray.com

- 2. Tenant: Advantage Therapy, LLC

Tenant Contact Information:
Advantage Therapy, LLC
C/O IMAC Holdings, Inc.
1605 Westgate Circle
Brentwood, TN 37027
(615) 678-0024

Legal notice to:
IMAC Holdings, Inc.
Attn: Legal Dept.
1605 Westgate Circle
Brentwood, TN 37027

- 3. Premises: 1301 E. Sunshine, Suites 100, 104, 108, 112 and 116, Springfield, MO 65804, 7,520 Square Feet in the Sagamore Hill Development (“Development”).

- 4. Term: Five (5) year(s), beginning on the Rent Commencement Date. Renewal Term: Two (2) Renewal Terms of Three (3) years each.

- 5. Tenant’s Share of Additional Rent items, leaseable area in the Premises/total leaseable area in the Development, planned or completed, 7520/23,568 = 31.9%.

- 6. Basic Rent: Years 1 to 5: \$19.32/sq. ft.

Option 1 Renewal Term Rent:
Years 6 to 8: \$21.25/sq. ft.

Option 2 Renewal Term Rent:
Years 9 to 11: \$23.38/sq. ft.

7. Additional Rent. The Additional Rent payable by Tenant for Common Area Maintenance, Taxes and Insurance is estimated to be \$4.25.* in the first year of the Term, paid in equal (1/12th) monthly installments, paid together with each payment of Basic Rent. Estimated Additional Rent for each year of the Term shall be based on Tenant's Share of the actual expenses for the prior year. In the event that Tenant's payments of Additional Rent in a year are less than Tenant's Share of actual expenses included as Additional Rent, Landlord shall send a reconciliation to Tenant of Landlord's actual expenses, and Tenant shall pay such short fall to Landlord within thirty (30) days after receipt of the reconciliation. If Additional Rent paid by Tenant is in excess of Tenant's Share of the actual expenses included as Additional Rent, Landlord shall retain such excess and credit it against the Additional Rent due from Tenant in the following year, or if the Term is expiring, Landlord shall promptly remit such excess to Tenant. *TO BE REFERENCED BELOW IN THE CONFIRMATION OF TO BE DETERMINED ITEMS ON THE EFFECTIVE DATE. Landlord agrees that in subsequent years of the lease, after the initial year of the lease term, Controllable Operating Expenses shall not increase by more than 3% per year. Controllable Operating Expenses shall include all expenses other than Taxes, Insurance, Snow Removal and Utilities.
8. Lease Effective Date: The last date provided below and possession of the Premises to Tenant on such date.
9. Rent Commencement Date: One hundred and twenty (120) days after the Effective Date, or the date Tenant opens for business, whichever first occurs. **The actual Rent Commencement Date is referenced in SECTION II below***. *TO BE REFERENCED BELOW IN THE CONFIRMATION OF TO BE DETERMINED ITEMS ON THE RENT COMMENCEMENT DATE.
10. Common Area Maintenance ("CAM") for the Development: Performed by Landlord, and Tenant's Share paid as Additional Rent.
11. Utilities: All utilities serving the Premises are separately metered and shall be the responsibility of the Tenant.
12. Taxes: Tenant pays personal property tax on Tenant's property. Real Property Taxes and Assessments paid by Landlord, and Tenant's Share paid as Additional Rent.
13. Insurance: Section 9.1 of the Lease – Tenant, Section 9.4 of the Lease – Landlord, and Tenant's Share paid as Additional Rent.
14. **Landlord's Improvements/ Delivery Conditions:** Cold Shell/Gray Box, See Exhibit A. **Tenant's Improvements/Tenant's Work/Tenant Allowance:** Tenant's Improvements at Tenant's expense subject to a \$35.00 per square foot Tenant Allowance ((\$263,200.00), See Exhibit B. See Section 24 of the LIS for the Additional Tenant Allowance.
15. Default Interest Rate: 6%, applicable to any sums due from Tenant that are past due beyond any applicable grace period.
16. **Use:** Medical clinic for Physical Therapy, Chiropractic, Pain Management and Cell Regeneration, any other similar or related use of the Premises is subject to Landlord's prior approval, not to be unreasonably withheld, conditioned, or delayed.

Restrictions on Use: See General Retail District with Conditional Overlay District No. 99, Zoning Case Z-33-2015, including, but not limited to, retail operations restricted to the hours of 6 am to 10 pm. Tenant's preparations to operate its business before opening for its retail operations prior to 6 am are permitted. A walk-in medical clinic/laboratory is not a permitted use. A walk-in medical clinic is an urgent care facility that accepts patients on a walk in basis without an appointment required. A medical laboratory is a facility where pathological tests are carried out on clinical specimens.

Exclusive Use: During Tenant's occupancy in the Development Landlord shall not lease or permit the use of any space in the Development for Physical Therapy, Chiropractic, Pain Management, or Cell Regeneration.
17. Parking: Parking in common with other tenants in the Development, provided that Tenant shall have the exclusive right to three (3) parking stalls directly in front of Tenant's store front.

18. Security Deposit: One month's Basic Rent, **\$12,107.20**, due at lease signing.
19. HVAC, Electric, Plumbing: Installed by Tenant as part of Tenant's Work Allowance, See Exhibit B.
20. Signs: Tenant may, at its expense, install and maintain signage on the façade of the Premises, consistent with the signage appearance and location plan in the Development, subject to Landlord's prior approval, and subject to compliance with all Laws. See Exhibit C for a depiction of signage, Signage Agreement and Exhibit.
21. Deliveries: Tenant shall use best efforts to receive vendor deliveries prior to 9 am.
22. Exhibits: (check as applicable)

X Landlord's Delivery Conditions: See Exhibit A.
X Tenant's Work Allowance: See Exhibit B.
X Description/Depiction of Signage: See Exhibit C.
23. Assignment and Subletting: Notwithstanding and provision in this Lease to the contrary, Tenant shall have the right to assign this Lease or sublet all or any portion of the Premises, without Landlord's approval, to an affiliate of Tenant or a successor to Tenant as the result of an acquisition or merger with Tenant, so long as the Use remains the same and the net worth of the assignee or subtee tenant is equal to or greater than the net worth of Tenant at the time of the Effective Date of this Lease. Any other assignment or subletting shall be subject to Landlord's prior approval, which shall not be unreasonably withheld, conditioned, or delayed. No assignment or subletting shall release Tenant from its obligations under this Lease.
24. Additional Tenant Allowance: In addition to the Tenant Allowance, Landlord will also provide an Additional Tenant Allowance up to \$15.00 per square foot (\$112,800.00) to be drawn by Tenant prior to the Rent Commencement Date, but not thereafter, and the amount drawn by Tenant of the Additional Tenant Allowance shall be amortized over the initial five (5) year Term of this Lease, bearing interest at the rate of 5% per annum, and repaid by Tenant in sixty (60) equal payments of principal and interest, due to Landlord on the same day as the Rent, as Additional Rent. See Exhibit B. The actual amount of the Additional Tenant Allowance drawn/dispursed TO BE REFERENCED BELOW IN THE CONFIRMATION OF TO BE DETERMINED ITEMS ON THE RENT COMMENCEMENT DATE.
25. Landlord and Tenant agree that the only agents/brokers entitled to a commission in connection with this Lease are R.B. Murray Company and Sansone Group. Landlord shall be responsible for commissions pursuant to a separate commissions agreement.

II. LEASE SIGNATURES

IN WITNESS WHEREOF, the undersigned, hereby acknowledge that their signatures on this Lease Information Summary shall be deemed their signatures on the Lease of the Premises, for all purposes.

Tenant

Landlord

Sagamore Hill Development Company, LLC

By: /s/ Jeff Ervin
Title: CEO

By: /s/ Tom Auner
Title: Manager

Date: Mar 1, 2019 | 8:04 AM CST

Date: Mar 1, 2019 | 9:14 AM CST

CONFIRMATION OF TO BE DETERMINED ITEMS (complete and initial) ON THE EFFECTIVE DATE OR THE RENT COMMENCEMENT DATE AS APPLICABLE

TBD Rent Commencement Date _____ Tenant _____ Landlord _____

TBD on the Rent Commencement Date, Additional Tenant Allowance. Tenant _____ Landlord _____

Initial Monthly Basic Rent \$12,107.20. Tenant ___/s/ JE_____ Landlord ___/s/ TA_____

Leaseable area in the Premises 7520 sq. ft. Tenant ___/s/ JE_____ Landlord ___/s/ TA_____

Leaseable area in the Development 23,568 sq. ft. Tenant ___/s/ JE_____ Landlord ___/s/ TA_____

Tenant's Share of Additional Rent items, leaseable area in the Premises/total leaseable area in the Development, planned or completed = 31.9%. Tenant ___/s/ JE_____ Landlord ___/s/ TA_____

Estimated Additional Rent monthly during the initial year of the Term \$2,633.33/month due with the Rent (7520 x 4.25/12), exclusive of Tenant's monthly re-payment of the Additional Tenant Allowance. Tenant ___/s/ JE_____ Landlord ___/s/ TA_____

GUARANTY

As an inducement to Landlord to enter into the above described Lease with Tenant, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned agree during the Term and any Renewal Term, if any Renewal Term is exercised by Tenant, to absolutely and unconditionally guaranty all of the duties and obligations of the Tenant provided in the Lease, as the same may be amended from time to time, including, but not limited to performance of all obligations, payment of all Rent and Additional Rent and Landlord's reasonable attorney's fees and expenses incurred in enforcing the Lease and this Guaranty. Landlord shall not be required to pursue enforcement of the Lease against Tenant before proceeding against the undersigned.

IMAC Holdings, Inc.

By: /s/ Jeff Ervin
Title: CEO
Date: Mar 1, 2019 | 8:04 AM CST

III. LEASE TERMS AND CONDITIONS

This LEASE AGREEMENT (“**Lease**”) made and entered into by and between the Landlord and Tenant, and is effective as of the Effective Date, all as shown on the Lease Information Summary (“**LIS**”).

In consideration of the terms, covenants, and conditions herein contained, Landlord and Tenant covenant and agree as follows:

**ARTICLE 1
DEFINITIONS**

Whenever capitalized in this Lease, each of the following terms shall have the meaning given in this Article or the LIS, unless otherwise specified in this Lease or unless the context clearly indicates a contrary intent:

1.1. “Additional Rent”. All amounts other than Basic Rent which Tenant is required to pay under this Lease, and as provided in the LIS in monthly installments, including, without limitation, liability and property and casualty insurance, real property taxes and assessments, common area maintenance, and other payments which Tenant in any of the provisions of this Lease assumes, agrees or otherwise becomes obligated to pay (or reimburse Landlord on demand for any payments thereof made by Landlord), and if applicable, payable with monthly Basic Rent.

1.2. “Basic Rent”. The Basic Rent for the Premises as set forth in the LIS.

1.3. “Development”. Means the Landlord’s buildings, the premises therein and common area in the Development, of which the Premises is a part.

1.4. “Force Majeure”. Any action of the elements, war, riot, labor dispute, inability to procure or general shortage of labor or materials in the normal channels of trade, delay in transportation, delay in inspections, governmental action or moratorium, or other cause beyond the reasonable control of a party obligated hereunder which prevents such party from completing timely performance of a duty under this Lease, but excluding any obligation to pay money.

1.5. “Governmental Authority”. All courts, legislative, executive, judicial and quasi-judicial bodies, agencies, boards, commissions and authorities of any nature of or for any governmental or quasi-governmental unit (federal, state, county, city, municipal or otherwise) at any time in existence, including by way of illustration and not limitation benefit and utility districts and commissions, boards and other bodies in respect thereof.

1.6. “Interest Rate”. The Interest Rate as set forth in the LIS.

1.7. “Laws”. All laws, regulations, rules, ordinances and orders of any Governmental Authority, including by way of illustration and not limitation statutes, zoning ordinances, building codes, common law and rulings, decisions and interpretations of all judicial, quasi- judicial and administrative bodies.

1.8. "Lease Year". Means a period of twelve successive calendar months beginning on the Commencement Date or any anniversary thereof (or, if the Commencement Date is not the first day of a calendar month, then beginning on any anniversary of the first day of the first calendar month following the Commencement Date). If the Term commences on a day other than the first day of a calendar month, the initial fractional month shall be included in the first Lease Year.

1.9. "Legal Requirements". (a) All Laws; (b) Tenant's organizational documents, including Articles, Bylaws, Partnership Agreements, Operating Agreements and the like; and (c) all easements, covenants, conditions licenses, franchises, concessions and other agreements which involve an interest in or relate to the use of the Premises to or by which Tenant may be bound.

1.10. "Premises". Means the Building and Suite as set forth in the LIS.

1.11. "Renewal Term". Any option granted to Tenant as set forth in the LIS, to extend the Term.

1.12. "Rent Commencement Date". The date as set forth in the LIS.

1.13. "Tenant's Share". A fraction, the numerator of which is the square footage of the Premises, and the denominator of which is the square footage of all the premises in the Development as set forth in the LIS, whether or not the same are leased or occupied, and which may be stated as a percentage.

1.14. "Term". The Lease Term beginning on the Rent Commencement Date, and the Renewal Terms, if any.

ARTICLE 2 LEASE, RENT, RENEWALS, SECURITY DEPOSIT

2.1. Lease. Landlord leases the Premises to Tenant and Tenant accepts and leases the same from Landlord, at the rental and on the terms and conditions of this Lease, for the Term.

2.2. Basic Rent. Tenant agrees to pay to Landlord Basic Rent in monthly installments payable in advance on or before the first day of each calendar month during the Term, or the first business day following the first day of each month if the first day is on a weekend or holiday when banks are closed in Springfield, Missouri. If the Term commences on a day other than the first day of a calendar month, then the initial installment of Basic Rent shall include prorated Basic Rent for the initial fractional month as well as the following month's installment of Basic Rent. Basic Rent and Renewal Term Rent (collectively "Rent") are set forth in the LIS. Any Rent not received by Landlord within five (5) business days of the due date shall be past due.

2.3. Terms of Payment. All payments of Basic Rent and Additional Rent shall be made to the address provided above or as provided in the notice. All payments of Basic Rent and Additional Rent, shall be paid in good funds, in lawful money of the United States of America, and shall be delivered to Landlord on or before the due date at the Landlord's address as set forth in the LIS (or at such other place as Landlord may from time to time designate in writing). All such amounts shall be timely paid without notice or demand and without abatement, set-off, counterclaim, suspension, deferment, diminution or reduction. If Tenant fails to pay any amount when due beyond any grace period provided in this Lease, such amount shall bear interest at the Interest Rate until paid in full. In addition, at Landlord's option and upon demand, Tenant shall pay to Landlord a late charge equal to five percent (5%) of the total amount delinquent, as Additional Rent, which amount Landlord and Tenant agree approximates Landlord's additional expenses which will be incurred by Landlord in handling such a delinquency.

2.4. Options to Renew. Tenant is hereby granted options to renew this Lease, if any, as set forth in the **LIS** (each, a “Renewal Term”). The options may be exercised only if Tenant is not in default under this Lease upon the date of each such exercise. If Tenant elects to exercise its’ option Tenant must give Landlord written notice that Tenant is exercising the next available option not less than one hundred eighty (180) days before the end of the then expiring Term. All of the terms and conditions of this Lease in effect as of the exercise of an option shall apply to the Renewal Term, subject to the Renewal Term Rent as set forth in the **LIS**.

2.5. Security Deposit. Upon the Effective Date of this Lease, Tenant shall deposit with Landlord the amount provided in the **LIS** as a security deposit, to be held by Landlord to secure in part, Tenant’s faithful performance of this Lease. If Tenant faithfully performs under this Lease, the Security Deposit will be returned to Tenant at the expiration of the Lease, without interest, otherwise to be applied by Landlord to any Tenant defaults, with the balance, if any, returned to Tenant.

ARTICLE 3
USE, COMPLIANCE WITH LAW

3.1. Use of Premises By Tenant, Cessation of Business. Tenant will use the Premises solely for the purpose as set forth in the **LIS**, and uses directly incidental to such business, and, with Landlord’s consent, such other uses as Tenant may reasonably believe are related thereto. Tenant will not perform any acts or carry on any practices that may injure the Premises, the Building or the Development, or be a nuisance or menace. If Tenant ceases doing business on, vacates or abandons the Premises, Tenant shall give notice of such event to Landlord. Within ninety (90) days after Landlord’s receipt of such notice or earlier discovery of such event, Landlord shall, by notice to Tenant, either (a) terminate this Lease or (b) elect to continue the Lease. If Landlord does not exercise the right to terminate, this Lease shall continue in full force and effect. If Landlord does exercise the right to terminate this Lease, Tenant shall remain obligated to pay and perform all duties accruing under this Lease up to the date of such notice of termination, including, without limitation, payment of Rent and Additional Rent to such date, but not thereafter, and Tenant shall have no further right or interest in the Premises.

3.2. Tenant’s Compliance with Law. Tenant will, at Tenant’s expense, comply with any and all Laws and Legal Requirements pertaining to the use and occupancy of the Premises. In the furtherance of, and not in limitation of, Tenant’s obligations under the foregoing sentence throughout the Term, Tenant will do or cause to be done all things necessary to preserve and keep in full force and effect permits required for the conduct of its business and operations until the end of the Term. In addition, Tenant will comply with the terms of all easements, covenants and conditions affecting the use and occupancy of the Premises, including any reciprocal parking and driveway agreements relating to adjacent parking.

3.3. Parking. Tenant agrees to restrict the parking of its motor vehicles and the motor vehicles of all of its employees, agents, contractors, customers, guests and invitees to those striped parking areas provided in the **LIS**, so that all roadways, driveways, aisles and entry ramps shall remain open and unobstructed at all times for use as fire lanes and those parking spaces reserved for visitors and those with special needs will be available to those for whom they are intended.

3.4. Rules and Regulations. Tenant shall comply with the rules and regulations adopted by Landlord, if any, with respect to Common Areas, provided that the same are provided to Tenant, and are reasonable and substantially apply equally to all tenants. None currently, but may be needed in the future. In the event Landlord implements Rules & Regulations for the property, Tenant will agree to comply so long as none of the Rules & Regulations create a materially adverse impact on Tenant's ability to do business as approved in the original lease.

**ARTICLE 4
REPAIRS, MAINTENANCE AND ALTERATIONS**

4.1. Initial Condition of Premises. As of the Delivery Date Tenant represents and warrants to and covenants and agrees with Landlord that Tenant has thoroughly, completely and carefully inspected the Premises and each and every part and portion thereof, and Tenant is fully familiar with the physical condition and all other aspects of the same. Except as specifically set forth in this Lease, Landlord has made no representations or agreements as to the condition of the Premises or the fitness or availability for any particular use, and Tenant is accepting the Premises in their "AS IS" condition, location, state of repair, and subject to all Laws and Legal Requirements. As of the Delivery Date Landlord represents and warrants that the work performed as set forth on Exhibit A has been performed in a good an workmanlike manner, and defects in the same shall be repaired and maintained at Landlord's expense, excepting repairs caused by the acts or omission of the Tenant or its agents, employees or invitees. To the extent assignable, Landlord will assign warranties to Tenant for the work performed on Exhibit A, excepting any warranty on the roof.

4.2. Condition at Surrender. Tenant will surrender the Premises at the end of the Term in as good condition and repair as existed on the Rent Commencement Date, ordinary wear and tear and casualty loss excepted.

4.3. Tenant's Maintenance Obligations. Throughout the Term Tenant shall, at its sole expense, maintain the Premises in good condition and state of repair (including but not limited to the floor coverings, heating, air-conditioning, plumbing, electrical, sewer, water, interior walls and ceilings of the Premises) and shall make all repairs, replacements and renewals necessary to maintain the Premises in such state of repair and condition. Tenant may not paint any exterior surface of the Building in which the Premises is located. Tenant must perform semiannual maintenance on the HVAC systems and promptly provide Landlord with copies of documentation showing such maintenance has been performed. Tenant's vendors approved by Landlord will have access to the roof of the Premises in performing HVAC maintenance and repairs. In addition, Tenant shall keep the Premises in a safe and sanitary condition, free from nuisance, as required by all applicable Laws. If Tenant refuses or neglects to repair property as required hereunder as soon as reasonably possible after written demand, and to the reasonable satisfaction of Landlord, Landlord may make such repairs without liability to Tenant for any loss or damage that may accrue to Tenant's merchandise, fixtures or other property or to Tenant's business by reason thereof, and upon completion thereof, Tenant shall pay Landlord's costs for making such repairs upon presentation of a bill therefore.

4.4. Additions and Alterations. Tenant shall not make or cause to be made any material alterations, additions or improvements to the interior or exterior of the Premises or structural changes without first obtaining Landlord's written approval and consent, which may be granted or withheld in Landlord's sole discretion. Any request for approval of alterations, additions or improvements must include reasonably detailed plans and specifications (including architectural drawings where appropriate). Any alterations, additions or improvements approved by Landlord must be made at Tenant's sole cost and expense, must be completed in good and workmanlike fashion, must comply with all Laws and Legal Requirements, and must be in keeping with the design and aesthetic features of the Premises. Tenant shall, however, be allowed to make cosmetic or non-structural improvements to the interior of the Premises that are not visible from the exterior with a total cost not exceeding \$10,000, without any prior approval required.

4.5. Alterations Part of Realty. Any improvements, alterations, additions or fixtures (other than trade fixtures and equipment not installed as part of the Tenant's Work Allowance) placed on the Premises, whether or not permanently affixed to the Premises, shall become a part of the realty, shall belong to Landlord, and shall remain on and be surrendered with the Premises at the termination of this Lease unless Landlord shall otherwise specify in writing within thirty days before or after the termination of this Lease, in which case the same shall promptly be removed at Tenant's cost. No improvements, alterations or additions to the Premises (other than trade fixtures and equipment not installed as part of the Tenant's Work Allowance) shall be removed without Landlord's prior written consent. Tenant shall repair all damage caused by any removal. Tenant shall provide Landlord with a list of Tenant's trade fixtures that it may remove at the termination of this Lease, and Landlord shall have a period of ten (10) days from receipt of the list to approve or reject any item on written notice to Tenant, failing which Tenant's list shall be deemed to be approved.

4.6. Fixtures. Tenant may install in and affix to the Premises such trade fixtures and equipment as Tenant deems desirable for the operation of Tenant's business. All such trade fixtures and equipment shall remain the property of Tenant. Tenant shall have the right to remove all of its trade fixtures and equipment within ten days following the expiration or earlier termination of the Lease and shall repair any damage to the Premises caused by such removal. In the event that Tenant fails to remove any trade fixtures or equipment within such ten day period, such trade fixtures and equipment shall become the property of Landlord without reimbursement to Tenant.

4.7. Signs, Windows, Decorations and Merchandise. Tenant may not erect or install on the Premises, or any part thereof, any sign, may not have any sign within the Premises that is visible outside the Premises, nor provide exterior lighting without the prior written consent and approval of Landlord, granted or withheld in Landlord's sole discretion, as provided in the LIS. Any sign or exterior lighting approved by Landlord must be installed at Tenant's sole cost and expense, must be completed in good and workmanlike fashion, must comply with all Legal Requirements. Tenant shall repair all damage caused by any removal of signs or lighting. Tenant shall not display, erect, or affix any window treatments, blinds, curtains, shades, awnings, canopies, tinting, decorations, lettering, signs, posters, streamers, placards, or any other like decorative or advertising media on the windows, doors, store front, or exterior of the Premises, or upon the building or buildings of which they form a part, which are visible from the exterior of the Premises, without Landlord's prior written approval, which may be granted or withheld in Landlord's sole discretion. Tenant shall not display merchandise or place stock or supplies outside of the Premises, and no rights are granted to Tenant to use the outer walls or the roof of the Premises without Landlord's prior written approval, which may be granted or withheld in Landlord's sole discretion. Tenant's typical menu board in the area where customers place orders in the Premises that may be visible from the exterior of the Premises, and vinyl lettering on the entrance doors with Tenant's name and hours of operation are permitted subject to Landlord's approval.

4.8. Alterations Required by Law. If during the Term any additions, alterations, or improvements in or to the Premises, as distinguished from repairs, are required by any Governmental Authority or any Laws or Legal Requirements as a result of Tenant's particular use of the Premises, or as a result of alterations to the Premises made by Tenant, they shall be promptly made and paid for by Tenant. In any event, Tenant shall give Landlord written notice and copies of any directive, order, notice or the like, issued by any Governmental Authority in respect of the Premises or Tenant's use thereof within ten (10) days of Tenant's receipt thereof. This Section shall not affect Tenant's obligations otherwise in this Lease to maintain the Premises, keep the same in good repair, and otherwise comply with all Laws and Legal Requirements.

4.9. Statutory Liens. Tenant shall promptly pay for all labor done or materials furnished in respect of any work, repair, maintenance, improvement, alteration or addition done by Tenant in connection with the Premises, and shall keep and hold the Premises and Landlord free, clear and harmless of and from all liens that could arise by reason of any such work. If any such lien shall at any time be filed against the Premises during the Term or as a result of work performed during the Term, Tenant shall either cause the same to be discharged of record within thirty (30) days after the lien is filed or, if Tenant in good faith determines that such lien should be contested, Tenant shall furnish such security as in Landlord's opinion may be necessary or required to prevent any foreclosure proceedings against the Premises during the pendency of such contest, and/or to satisfy any judgment in respect of any such lien, together with the costs and expenses, including reasonable attorneys' fees and judgment interest, in connection therewith. If Tenant shall fail to discharge such lien within such period or fail to furnish such security, then, in addition to any other right or remedy, Landlord may but shall not be obligated to discharge the same, either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit in court or by giving security or in such other manner as is or may be prescribed by law or acceptable to such lien claimant. Tenant shall repay to Landlord on demand Landlord's costs, expenses and reasonable attorneys' fees incurred by Landlord in connection therewith. Nothing contained herein shall imply any consent or agreement on the part of Landlord to subject Landlord's interest in the Premises to liability under any mechanic's, materialmen's or other statutory lien law.

4.10. Common Area Maintenance. Landlord will provide Common Area Maintenance ("CAM"). Such maintenance to include, without limitation, operating, repairing, replacing and maintaining the Development, parking areas, sidewalks, landscaping, lawns, common utility expenses, snow removal, common area insurance, and other expenses typical of common area expenses in other first class developments in the city in which the Development is located, but excluding capital improvements. Tenant shall pay Tenant's Share of CAM as Additional Rent as provided in the LIS. In addition to the CAM expenses that Tenant pays based on Tenant's Share, Tenant, if it uses the grease trap, shall be responsible for its equitable share of the expenses of periodic cleaning of the grease trap that it shares in common with other users of the grease trap in the Development prorated based on proportionate use, and Tenant shall pay its proportionate share, if paid by Landlord, as Additional Rent.

4.11. Landlord's Maintenance Obligations. Landlord shall at its expense maintain and repair the exterior structure and the roof of the Premises, and utility lines from the exterior of the Premises to the utility provider lines, except to the extent the damage or repair is caused by the acts or omissions of Tenant and those for whom it is liable.

ARTICLE 5 UTILITIES AND TAXES

5.1. Utilities. Except as otherwise provided in the LIS, Tenant shall contract for and shall pay, before delinquency, all charges and deposits for gas, electricity, water, sewer, telephone and any other utilities or services used by it or furnished to the Premises, that are separately metered to the Premises. Utilities for the Common Areas are separately metered and included in CAM.

5.2. Real Property Taxes and Assessments. Except as otherwise provided in the LIS, Landlord shall timely pay or cause to be paid when due all real taxes or assessments, general or special, now or hereafter imposed by any federal, state, or local government on the Premises ("Taxes"). Tenant shall pay Tenant's Share of Taxes as Additional Rent as provided in the LIS.

5.3. Personal Property Taxes. Tenant shall pay all taxes levied upon personal property in, on and about the Premises, including trade fixtures, equipment and inventory kept on the Premises, sales and use taxes.

ARTICLE 6 CONDEMNATION

6.1. Total Taking. If the entire Premises is appropriated and taken for any public use by virtue of eminent domain or condemnation proceedings or conveyed to a public body in lieu of, during or upon threat or imminence of such proceedings (a "Total Taking"), then the Term shall terminate as of the date of the transfer of title. All Rent shall be prorated and paid up to that date.

6.2. Partial Taking. If any part of the Premises is appropriated and taken for any public use by virtue of eminent domain or condemnation proceedings or conveyed to a public body in lieu of, during or upon threat or imminence of such proceedings (a "Partial Taking"), and in the event such Partial Taking shall be of more than 25% of the floor space of the Premises and renders the Premises unsuitable for the business of Tenant, then, at the option of Landlord or Tenant exercised in writing on or before such transfer of title, the Term shall terminate as of the date of transfer of title. In the event of a Partial Taking which is less than 25% of the floor space or not extensive enough to render the Premises unsuitable for the business of Tenant, then Landlord, to the extent possible, may promptly restore the Premises to a condition comparable to its condition immediately prior to such taking (less the portion lost in the taking) and this Lease shall continue in full force and effect, or Landlord or Tenant may terminate this Lease. Basic Rent, Renewal Term Rent, if any, shall be equitably adjusted to the extent of any reduction in the area of the Premises resulting from the Partial Taking.

6.3. Compensation. In the event of any Total or Partial Taking, Tenant shall have no claim against Landlord for the value of the unexpired Term and Tenant shall not be entitled to any part of the award or recovery paid for such taking or any judgment for damages caused by such taking (the "Award"), whether the Award is paid as compensation for diminution in value to the leasehold or to the fee of the Premises. However, Tenant shall have the right to claim and recover from the condemning authority, but not from Landlord, such compensation as may be separately awarded or recoverable by Tenant in Tenant's own right on account of any and all damage to Tenant's business by reason of the condemnation and for or on account of any cost or loss to which Tenant might be put in removing Tenant's merchandise, furniture, fixtures and equipment, and moving expenses.

6.4. Notice of Condemnation. Each party shall, promptly after it receives notice of the intention of any such authority to appropriate or take all or any portion of the Premises, give written notice thereof to the other party.

ARTICLE 7 DAMAGE AND DESTRUCTION

7.1. Totally Untenantable. If all or a substantial part of the Premises is damaged by fire or other casualty so that the Premises are totally untenantable, Landlord may at its sole option terminate this Lease by giving written notice thereof to Tenant. Tenant shall surrender the Premises to Landlord within thirty (30) days after receipt by Tenant of Landlord's notice of termination. The Lease shall immediately terminate upon such surrender, except that Landlord shall retain such rights and remedies against Tenant as may have arisen by virtue of Tenant's actions or defaults occurring prior to the termination. Basic Rent, Renewal Term Rent, if any, and Additional Rent, shall be paid by Tenant, through and including the date of the casualty. Except for the above, neither party shall have further liability or responsibility hereunder. If Landlord does not elect to terminate this Lease in case of total untenantability, this Lease shall continue in full force and effect and Landlord shall restore the Premises to at least its previous condition, with available insurance proceeds as provided in Section 9.5. Basic Rent, Renewal Term Rent, if any, (but not Additional Rent) will be abated while Landlord is restoring the Premises. Notwithstanding the foregoing, if such total untenantability occurs within the last twelve (12) months of the Term, Tenant will have the option to notify Landlord within thirty (30) days of the date of destruction that Tenant desires to terminate this Lease and waive all renewal options, if any.

7.2. Partially Untenantable. If the Premises are damaged by fire or other casualty so that tenantability is only partially disturbed, Landlord shall restore the Premises to at least its previous condition within a reasonable time with available insurance proceeds as provided in Section 9.5. If such casualty causes twenty five percent (25%) or more of the Premises to be untenantable or prevents Tenant's reasonable use of the Premises, Basic Rent, Renewal Term Rent, if any, (but not Additional Rent) will be equitably abated, while Landlord is restoring the Premises.

7.3. Removal of Debris. In the event the Premises suffer any casualty damage Tenant shall commence removal within five days and diligently proceed to remove any debris or rubbish, remove its personal property from the damaged Premises, and clean the damaged Premises to facilitate repair or restoring operations.

ARTICLE 8 ALLOCATION OF LIABILITY, INDEMNITY

8.1. Exculpation of Landlord. Tenant shall have no claim against Landlord for, and Landlord has no liability to Tenant for, any accidents or occurrences that arise on or respecting the Premises, except to the extent Landlord has actively and intentionally caused the harm, or the extent of the negligence or willful misconduct of the Landlord's agents employees, or contractors. Landlord shall not be liable to Tenant for any loss or damage to Tenant, or to any property of Tenant located in or about the Premises, regardless of the cause of the loss or damage.

8.2. Indemnification of Landlord by Tenant. Tenant shall indemnify, defend and save Landlord harmless from and against any and all claims, demands, causes of action, liabilities and costs for, or in connection with, any accident, injury (including death), loss or damage whatsoever caused to any person or property arising, directly or indirectly out of the use of the Premises or occurring in, on or about the Premises, and from and against any and all costs, expenses and liabilities incurred in connection with any such claim, demand, cause of action or proceeding brought thereon, including reasonable attorneys' fees and costs incurred with such claim and in enforcing Tenant's duty to indemnify Landlord. If any case, action or proceeding be brought against Landlord by reason of any such claim, Tenant shall, upon written notice from Landlord, defend the same, at Tenant's sole cost and expense, by counsel reasonably satisfactory to Landlord. Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises from any cause, except to the extent Landlord has actively and intentionally caused the harm, or except to the extent of the negligence or willful misconduct of the Landlord's agents employees, or contractors. Landlord and Tenant shall mutually indemnify each other in the instance of Landlord's gross negligence or willful misconduct.

ARTICLE 9 INSURANCE

9.1. Tenant's Insurance. Tenant shall obtain and pay all premiums and other costs for the types of insurance coverages described below. All insurance shall be effected by valid and enforceable policies issued by insurers licensed in the State of Missouri and reasonably acceptable to Landlord. Tenant shall keep Landlord constantly furnished with certificates evidencing all such insurance coverages and shall provide Landlord copies of such policies upon its written request. Tenant shall carry insurance against all of the following:

(a) Insurance on Contents. Broad form extended coverage insurance on all property owned by or under the control of Tenant in the Premises, including, but not limited to Tenant's Work, in an amount not less than the full replacement value of such property.

(b) Liability Insurance. Comprehensive general liability insurance protecting and indemnifying Landlord and Tenant against claims and liabilities for injury or damage to persons or property or for the loss of life or property occurring upon, in or about the Premises caused by or resulting from any act or omission of Tenant, its employees, agents, contractors, customers, guests, licensees or invitees, such insurance to afford minimum protection in such amounts as Landlord shall from time to time designate by written notice to Tenant, but in no event less than combined single limit coverage of \$1,000,000.00, and total coverage of \$2,000,000.00 including coverage offered by Tenant's Umbrella policy. OK Such insurance shall name Landlord and any lender designated by Landlord as additional insureds.

(c) Worker's Compensation. Worker's compensation or similar insurance with limits of liability of not less than the minimum amount provided by law.

9.2. Notice of Cancellation. All insurance policies to be maintained by Tenant, shall contain a provision that such policies shall not be cancelled or terminated without thirty (30) days' proper notice from the insurance company to Landlord. Tenant agrees that on or before ten (10) days prior to expiration of any insurance policy, Tenant will deliver to Landlord written notification in the form of a receipt or other similar document from the applicable insurance company that said policy or policies have been renewed, or deliver certificates of coverage from another good and solvent insurance company approved by Landlord for such coverage.

9.3. Persons Named as Insureds. All policies of liability insurance shall include a long form noncontributory clause, naming Landlord as an additional insured. If Landlord requests, the mortgagee(s) or holder(s) of any deeds of trust affecting the Premises shall also be named as additional insureds by means of clauses meeting their requirements.

9.4. Fire, Extended Coverage and Liability Insurance. Landlord shall maintain during the Term a policy or policies of fire, extended coverage, and liability insurance ("Property Insurance") upon the Development (excluding land and foundations) in amounts equal to the full replacement cost thereof. If and so long as there is a deed of trust or mortgage on Landlord's interest, such policy may also contain a standard mortgagee clause in favor of such lender, and liability insurance in usual and customary amounts. Tenant shall pay Tenant's Share of such insurance as Additional Rent as provided in the **LIS**.

9.5. Rebuilding. If, during the Term, the Premises are damaged from a risk covered by the Property Insurance Landlord shall make the loss adjustment with the insurance company insuring the loss. Landlord may, from the Property Insurance proceeds received restore the Premises pursuant to Article 7, but in no event will Landlord's obligation to restore exceed the amount of Property Insurance proceeds received by Landlord.

9.6. Waiver of Subrogation. Landlord and Tenant hereby release each other from all liability for damage due to any act or neglect of the other (except as hereinafter provided) occasioned to property owned by the parties which is or might be incident to or the result of any casualty for would be covered by any insurance policy which either of the parties hereunder is required to carry under the terms of this Lease (whether or not such party is actually maintaining such insurance coverage). However, these releases shall not apply to any loss or damage occasioned by the willful act of either of the parties, and the parties agree that any insurance they obtain on their respective properties shall contain an appropriate provision whereby the insurance company, or companies, consents to the mutual release of liability contained in this Section and waives all right of recovery by way of subrogation against Landlord or Tenant in connection with any loss or damage covered by any such policies. Neither party shall be liable to the other for any loss or damage caused by fire or any of the risks enumerated in its policies, provided such a waiver was obtainable at the time of such loss or damage. The parties specifically recognize and acknowledge that the waivers contained herein are and shall be effective even though such claims may arise as a result of the negligence of the party being released hereunder, or such party's agents, officers or employees.

9.7. Increase in Rates. Tenant shall not take any action, engage in any activities, store any material, or do any other act that might cause an increase in the insurance rates for the coverages described herein. If the rates do increase because of any such act by Tenant, and if Landlord is responsible for or does in fact pay all or any portion of the increase in premiums, then Tenant shall pay the same to Landlord in full within ten days of demand by Landlord.

9.8. Lenders. If the Premises are subject to any mortgage(s) or deed(s) of trust, Tenant shall upon demand of Landlord have the holder(s) thereof named as an additional insured(s) by means of a long form noncontributory clause. Such lender(s) shall also have the right of prior approval over any insurance policies, and Tenant agrees to make any changes in the same or to procure any additional insurance that the lender(s) may request. Losses covered by insurance shall be payable in accordance with any mortgage(s) or deed(s) of trust.

ARTICLE 10 ASSIGNMENT AND SUBLEASE

10.1. Assignment and Subletting. Without the express prior written consent of Landlord, which consent shall not be unreasonably withheld, delayed, or conditioned for the same or similar Permitted Use, otherwise in Landlord's sole discretion, Tenant shall not assign, transfer or encumber this Lease or any part hereof, and shall not sublet, grant licenses or concessions, or allow any other occupant to come into the Premises with or under Tenant.

Without such prior written consent which may be granted or withheld in Landlord's sole discretion, Tenant shall not permit this Lease or the leasehold estate hereby created to become vested in or owned by any other person, firm, company, entity, corporation or partnership, through any type of transfer or assignment, whether by merger, consolidation, dissolution, liquidation, transfer of ownership interests or otherwise. Any change in the ownership or power to vote a majority of Tenant's outstanding voting interests in Tenant shall constitute an assignment. Acceptance of rent by Landlord from anyone other than Tenant shall not be construed as a waiver by Landlord of the actions prohibited by this Section, nor as a release of Tenant from any obligation or liability under this Lease, but the same shall be taken to be a payment on account by Tenant.

10.2. Permitted Subletting. If Tenant desires to sublet the Premises limited only to the USE provided in the LIS, including a proposed sublease to, Tenant shall so notify Landlord, and shall include with such notice a copy of any proposed sublease or, if none, the name of the prospective subtenant, the term, a description of the property to be sublet and the amount of rent payable by the subtenant. Subject to the prospective subtenant being limited to the USE provided in the LIS, Landlord shall have ninety (90) days after receipt of such notice either to (a) consent to the subletting; or (b) withhold consent to the subletting. Landlord's failure to respond to the notice within ninety (90) days, shall be deemed to be Landlord's decision to withhold consent to subletting. If Landlord consents to the subletting, Tenant shall enter into a written sublease with the prospective subtenant on substantially the same terms as provided in this Lease, and shall deliver an executed copy thereof (and of any subsequently executed amendments thereof that have been approved by Landlord in its sole discretion) to Landlord. If the rent or other amounts payable to Tenant by the subtenant exceed the Basic Rent, Renewal Term Rent, if any, and Additional Rent otherwise payable under this Lease for any period after the date of such sublease, Tenant shall pay one-half of such excess to Landlord as Additional Rent. The subtenant will be, jointly and severally with Tenant, liable for all obligations of Tenant under this Lease during the term of the sublease, and will have such rights, consistent with this Lease, as are granted by the sublease, except that in no event will the subtenant have the right to further sublet the Premises.

10.3. Involuntary Assignment. No interest of Tenant in this Lease shall be assignable by operation of law (including, without limitation, the transfer of this Lease by testacy or intestacy). Each of the following acts shall be considered an involuntary assignment:

- (a) If Tenant is or becomes bankrupt or insolvent, makes an assignment for the benefit of creditors or institutes a proceeding under the Bankruptcy Code in which Tenant is the debtor; or, if Tenant is an entity or consists of more than one person or entity, if any partner, member, or other person or entity is or becomes bankrupt or insolvent, or makes an assignment for the benefit of creditors;
- (b) If a writ of attachment or execution is levied on this Lease; or
- (c) (If, in any proceeding or action to which Tenant is a party, a receiver is appointed with authority to take possession of the Premises.

An involuntary assignment shall constitute a default by Tenant and Landlord shall have the right to elect to terminate this Lease, in which case this Lease shall not be treated as an asset of Tenant.

10.4. Assignment of Subrent. Tenant immediately and irrevocably assigns to Landlord, as security for Tenant's obligations under this Lease, all rent from any subletting of all or a part of the Premises, whether or not such subletting was approved by Landlord, and Landlord, as assignee and as attorney-in-fact for Tenant, or a receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease.

10.5. Continuing Liability. In the event Landlord consents to an assignment or subletting of the Premises or any part thereof, then Tenant shall continue to be fully primarily liable hereunder and Landlord shall have all remedies against Tenant in the event of a subsequent breach of this Lease, as if the assignment or subletting had not taken place.

ARTICLE 11 DEFAULT AND REMEDIES

11.1. Default. The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant.

- (a) The failure by Tenant to make any payment of Basic Rent, Renewal Term Rent, if any, or Additional Rent, as and when due, which failure continues for more than ten (10) days after notice of delinquency given by Landlord, except that any failure to make timely payment shall be an automatic default without notice if either (i) Landlord has given two (2) prior notices of delinquency in the same Lease Year or (ii) Landlord reasonably determines that Tenant has been late on a regular basis and gives written notice to Tenant that Tenant shall not be entitled to any further delinquency notices.

(b) The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant, other than payment of Basic Rent, Renewal Term Rent, if any, or Additional Rent, where such failure shall continue for a period of thirty (30) days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(c) Without obtaining the Landlord's consent, the making by Tenant of any general assignment or general arrangement for the benefit of creditors; or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days; or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where possession is not restored to Tenant within thirty (30) days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged in thirty (30) days.

11.2. Landlord's Remedies. If Tenant defaults Landlord shall be entitled to all legal and equitable remedies for possession of the Premises and collection of all amounts due under this Lease. Without limitation, Landlord may enforce its rights by an action for rent and possession, unlawful detainer, or other legal remedy. Tenant agrees that, notwithstanding Landlord's possession of the Premises, Tenant shall remain liable for and shall pay Landlord an amount equal to the entire rent payable to the end of the then-applicable Term, provided that Landlord shall credit Tenant with net rents received by Landlord from reletting the Premises as provided in Section 11.3 below.

11.3. Right to Relet. Notwithstanding Landlord's possession of the Premises, Landlord upon Tenant's default shall have the right, without notice to Tenant, and without terminating this Lease, to make alterations and repairs for the purpose of reletting the Premises. Landlord may relet or attempt to relet the Premises or any part of the Premises for the remainder of the then-applicable Term or for any longer or shorter period as opportunity may offer, to such persons and at such rent as may be obtained. Nothing in this Lease shall require Landlord to relet or make any attempt to relet the Premises, and any reletting, shall be done by Landlord as agent for Tenant. In case the Premises are relet, Tenant shall pay the difference between the amount of rent payable during the remainder of the Term and the net rent actually received by Landlord during the Term after deducting all expenses for repairs, alterations, recovering possession and reletting the same, which difference shall either (a) accrue and be payable monthly, or (b) be accelerated and become payable at once, at Landlord's sole option. Notwithstanding anything in this Article 11 to the contrary, Landlord agrees to use commercially reasonable efforts to mitigate its damages in the event of a Tenant default.

11.4. Written Termination Required. No actions taken by Landlord after Tenant's default shall be construed as indicating a termination of this Lease. This Lease shall remain in full force and effect and shall not be terminated unless Landlord so elects in writing.

11.5. Expenses. Landlord shall be entitled to recover from Tenant all of Landlord's expenses in exercising any of its rights under this Lease, including without limitation Landlord's attorney's fees and expenses. Tenant shall be entitled to recover from Landlord all of Tenant's expenses in exercising any of its rights under this Lease, including without limitation Tenant's attorney's fees and expenses.

11.6. Counterclaims and Waivers. Other than compulsory counterclaims, Tenant agrees not to make any counterclaim of any nature in any proceedings brought in connection with this Lease. This agreement shall not, however, prohibit the maintenance of any claim in a separate action. Tenant waives any rights it may have to redeem the Premises from any reentry and possession by Landlord. Any breaches of any covenants of this Lease shall be material breaches entitling Landlord to its remedies, regardless of the extent of actual damage.

11.7. Remedies Cumulative. The rights and remedies of Landlord hereunder and any others provided by law shall be construed as cumulative and no one of them is exclusive of any other right or remedy. Such rights and remedies shall further be continuing rights, none of which shall be exhausted by being exercised on one or more occasions. Landlord shall be entitled to seek an injunction in proper cases to enforce any part or parts of this Lease or to prevent or stop any violation or default on the part of Tenant. Whenever in this Lease Landlord reserves or is given the right and power to give or withhold its consent to any action on the part of Tenant, such right and power shall not be exhausted by its exercise on one or more occasions, but shall be a continuing right and power for the full Term. Landlord shall in no event be liable to Tenant for special, indirect, incidental, punitive or consequential damages, even if advised of the possibility of the same.

11.8. Landlord's Right to Cure Default. If Tenant shall be in default in the performance of any covenant on its part to be performed under this Lease, then, after notice and without waiver or releasing Tenant from the performance thereof, Landlord may, but shall not be obligated to, perform any such covenant and/or pay necessary and incidental costs and expenses in connection therewith. All sums so paid by Landlord, together with interest thereon at the Default Rate, shall be deemed Additional Rent and shall be payable to Landlord no later than the next Basic Rent payment day.

11.9. Abandonment. If Tenant shall abandon, vacate or surrender the Premises, or be dispossessed by process of law or otherwise, all fixtures, chattels, equipment and personal property belonging to Tenant and in or upon the Premises shall, at the option of Landlord, be deemed abandoned by Tenant.

11.10. Holding Over. If Tenant remains in possession of all or any portion of the Premises after expiration or earlier termination of the Term, such occupancy shall be deemed to be a month-to-month tenancy, terminable upon thirty (30) days' written notice given by either party at any time. During such holdover occupancy, Tenant shall pay all Additional Rent and perform all obligations required of it by this Lease during the Term, except that Basic Rent or Renewal Term Rent, if any, during such holdover occupancy shall be at a rate equal to one and one half times the Basic Rent, or Renewal Term Rent, as applicable, theretofore in effect at the termination of the Term, payable in monthly installments in advance as otherwise provided in this Lease.

ARTICLE 12
LANDLORD FINANCING

12.1. Subordination. This Lease is subject and subordinate at all times to the lien of any mortgage or deed of trust which may now or hereafter encumber Landlord's interest in the Premises, and to all renewals, modifications, amendments, consolidations, replacements, and extensions thereof. Tenant shall execute and deliver any instrument that may be reasonably required by Landlord in confirmation of such subordination promptly upon Landlord's request. Landlord shall, upon Tenant's written request and notice to it, exercise its best efforts to obtain the lienholder's written agreement that Tenant's rights shall remain in full force and effect during the Term so long as Tenant continues to recognize and perform all of its covenants and conditions. Further, at Landlord's sole option, this Lease may be assigned by Landlord to any mortgagee or cestui que trust as additional security for any loan to Landlord, and Tenant upon request shall acknowledge receipt of notice of each such assignment. Such assignment may be recorded, but Tenant shall, upon notice of such assignment, comply with the terms thereof.

Within twenty (20) days after Landlord's request, Tenant shall execute a written instrument to Landlord or any other person, firm or corporation specified by Landlord, certifying:

- (a) That Tenant has accepted the Premises, is in occupancy, and is paying rent on a current basis with no offsets or claims, or if it is not paying rent on a current basis or does have offsets or claims, Tenant shall specify the status of its payments of rent and the basis and amount claimed due as offsets or claims;
- (b) That this Lease is unmodified and in full force and effect, or if there has been any modification that the same is in full force and effect as so modified and appropriately identifying any such modification;
- (c) Whether or not there are any offsets or defenses then existing in favor of Tenant against the enforcement of any of the terms, covenants and conditions of this Lease and if so specifying the same, and also whether or not Landlord has observed and performed all the terms, covenants and conditions on its part to be so observed and performed and if not, specifying the same;
- (d) The dates to which installments of Basic Rent, Additional Rent and all other charges hereunder have been paid; and
- (e) Such other information as Landlord may reasonably request.

The foregoing instruments may be requested Landlord, at any time and from time to time during the Term. Upon the request of the holder of any such deed of trust, mortgage or security agreement, Tenant agrees to execute, acknowledge and deliver to such party or parties or to the purchaser of the Premises in foreclosure an instrument in writing satisfactory to such party whereby Tenant fully attorns to such successor in interest subject, however, to the approval of such instrument by Tenant, which approval shall not be unreasonably withheld or delayed.

12.2. Attornment. Tenant will, upon the request of Landlord or of the mortgagee or trustees, under any such mortgage or deed of trust, execute an attornment instrument and attorn to such mortgagee or trustees and become its tenant on the terms herein contained for the unexpired residue of the Term.

12.3. Transfer. Landlord and any party succeeding to Landlord's interest herein may transfer, assign, convey or otherwise dispose of the Premises and the interest in this Lease and in such event shall be free from and relieved of all covenants and obligations of the Landlord herein provided and from any liability resulting from any act or omission or event occurring after such conveyance or other disposition.

ARTICLE 13 HAZARDOUS MATERIALS

13.1. Landlord's Warranties. Landlord warrants and represents to the Tenant that as of the Effective Date of this Lease, Landlord is not aware of any facts or matters which indicate to Landlord or reasonably should indicate to Landlord that the Premises is subject to any environmentally hazardous condition.

13.2. Indemnification of Liability by Tenant. Tenant hereby agrees to indemnify, defend, save and hold harmless the Landlord, its directors, officers, shareholders, members employees and agents, successors and assigns from and against any and all claims, actions, causes of action, demands, suits, losses, expenses, liabilities, and responsibilities including those for clean up, remediation, removal, detoxification and disposal, of any kind or nature whatsoever which may hereafter arise as a result of any Hazardous Material or Environmental Hazard: (a) arising out of any failure by Tenant or Tenant's agents, contractors, subcontractors and subtenants to perform any of their duties or obligations under this Article 13 of this Lease; or (b) arising out of or in connection with the Tenant's or Tenant's agents', contractors', subcontractors' and subtenants' use, generation, storage, release, threatened release, disposal or transport of any Hazardous Material or Environmental Hazard on, under, from or about the Premises during the Term.

13.3. Indemnification of Liability by Landlord. Landlord hereby agrees to indemnify, defend, save and hold harmless Tenant and its directors, officers, shareholders, members, employees, agents, successors and assigns from any and all claims, actions, causes of action, demands, suits, losses, expenses, liabilities and responsibilities, including those for clean up, remediation, removal, detoxification and disposal, of any kind or nature whatsoever which may hereafter arise as a result of any Hazardous Material or Environmental Hazard existing on or before the Effective Date or otherwise created by the Landlord.

ARTICLE 14 GENERAL PROVISIONS

14.1. Time of Essence. Time is of the essence of this Lease, and of each provision hereof.

14.2. Quiet Enjoyment. Upon payment by the Tenant of the rent herein provided, and upon the observance and performance of all covenants, terms and conditions on Tenant's part to be observed and performed by Tenant, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term without hindrance or interruption by Landlord or any other person or persons.

14.3. Unavoidable Delay; Force Majeure. If either party shall be delayed or prevented from the performance of any act required by this Lease by reasons of acts of God, strikes, lockouts, labor troubles, inability to procure materials, restrictive governmental laws, or regulations, or other cause, without fault and beyond the reasonable control of the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay; provided, however, nothing in this section shall excuse Tenant from the prompt payment of any Basic Rent or Additional Rent.

14.4. Successors in Interest. Each and all of the covenants, conditions and restrictions in this Lease shall inure to the benefit of and shall be binding upon the successors and assigns of Landlord, and subject to the restrictions of Article 10 the authorized encumbrancers, assignees, transferees, subtenants, licensees and other successors in interest of Tenant.

14.5. Entire Agreement. This Lease, consisting of the Lease Information Summary, the Guaranty, if any, and the Lease Terms and Conditions contains the entire agreement of the parties with respect to the matters covered by this Lease, and no other agreement, statement or promise made by any party, or to any employer, officer or agent of any party, which is not contained in this Lease shall be binding or valid. No alteration, amendments or changes to the terms of this Lease shall be binding unless first reduced to writing and executed with the same formality as this Lease. In the event of any conflict between the provisions of the LIS and the Lease Terms and Conditions, the provisions in the LIS shall control.

14.6. Partial Invalidity. If any term, covenant, condition or provision of this Lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

14.7. Captions. Captions of the articles, sections and paragraphs of this Lease are for convenience and reference only, and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Lease.

14.8. Notices. All notices, requests, and other communications hereunder shall be in writing and shall be deemed to be duly given if delivered or deposited in the U.S. Mail, first class postage prepaid, certified, return receipt requested (except for rent payments), to applicable addresses as provided in the LIS.

Each party may, from time to time, designate a different address by notice given in conformity with this paragraph. The date of mailing as indicated on the U.S. Postal return receipt, shall be the commencement date for calculating any time periods associated with the giving of notice hereunder. In lieu of sending such notices by United States Mail, any party hereto may deliver such notice in person or may transmit by Federal Express or any other reputable overnight courier service which obtains a receipt for delivery and which has active operations in the municipalities involved, or by email to the addresses provided above. Each party shall have the right, from time to time, to designate a different address by notice given in conformity with this section.

14.9. Right of Entry. Landlord or Landlord's agents shall have the right to enter the Premises at all reasonable times to examine the same, and to show them to prospective purchasers or Tenants thereof, and to make such repairs, alterations, improvements or additions as the Landlord may deem desirable.

14.10. Authority. Each individual executing this Lease on behalf of Tenant represents and warrants that s/he is duly authorized to execute and deliver this Lease on behalf of Tenant and that this Lease is binding upon Tenant in accordance with its terms. Each individual executing this Lease on behalf of Landlord represents and warrants that s/he is duly authorized to execute and deliver this Lease on behalf of Landlord and that this Lease is binding upon Landlord in accordance with its terms.

14.11. Governing Law. The provisions of this Lease, and the right and obligations of Landlord and Tenant, shall be governed by the laws of the State of Missouri and interpreted and construed in accordance with such laws without regard to principles of conflicts of law. The Circuit Court of Greene County, Missouri, and its division, shall have exclusive jurisdiction in any proceeding instituted to enforce this Lease, and any objections to venue are hereby waived.

14.12. Prior Agreement. This Lease terminates and supersedes all prior agreements concerning the use or occupancy of the Premises by Tenant.

14.13. Cooperation. Each party agrees to cooperate with the other in carrying out the terms of this Lease. Whenever, under a provision of this Lease the consent of either party is required or requested, such consent will not be unreasonably withheld.

ARTICLE 15 EXECUTION

15.1. Offer and Acceptance. Execution of this Lease by Tenant constitutes an offer which shall not be deemed accepted by Landlord until Landlord has executed this Lease and delivered a duplicate original to Tenant. The submission of an unexecuted copy of this Lease for examination does not constitute an offer. The signature block for this Lease is at the end of the Lease Information Summary. In the event of any conflict between the provisions of the Lease and the provisions of the Lease Information Summary, the Lease Information Summary shall control.

15.2. Counterparts. This Lease may be executed by the parties, in one or more counterparts, each of which, shall be deemed to be an original.

IN WITNESS WHEREOF, the parties have executed this Lease as of the Effective Date set forth in the above Lease Information Summary.

EXHIBIT A: LANDLORD'S IMPROVEMENTS/DELIVERY CONDITIONS

ESTIMATED DELIVERY DATE: The Effective Date of the Lease

OUTSIDE DELIVERY DATE: N/A

PREMISES CONDITION:

- a. Cold Shell/Gray Box
- b. Exterior walls to be insulated with un-painted drywall in place. Interior demising walls are not included.
- c. All steel columns will be painted.
- d. No floor slab, only base rock, except in mechanical rooms where slab will be installed.
- e. A plumbing line and grease interceptor line will run down the middle of each building for Tenant access, shared 275 gallon grease trap. Maintenance expense is provided in Section 4.10 of the Lease, if applicable to Tenant's Use.
- f. Temporary small gas heaters will be suspended from the interior ceiling.
- g. No ceiling installed, exposed wood trusses.
- h. Minimal strip florescent lights in the interior will be in place to provide house lighting. All final lighting on the exterior will be in place.
- k. 3-Phase power connection is on site, and is available, but not provided by Landlord, cost to connect shall be at Tenant's expense if desired by Tenant.
- l. 2" water line.
- m. 4" sewer line connection for Building C.
- n. The steel structure for Tenant signage will be mounted and in place.
- q. Fire sprinklers will be in place.
- r. Gas line size to the Premises has been provided.

EXHIBIT B: TENANT'S WORK AND ALLOWANCES

(a) *Condition of premises.* Except as provided in EXHIBIT A, Landlord has no obligation to alter, remodel or improve the Premises in any way. Tenant agrees to accept the Premises in an "AS IS" condition.

(b) *Drawings.* Promptly after the Effective Date, Landlord shall email CAD plans to Tenant or Tenant's Architect for use in preparing Tenants drawings. Tenant shall submit to Landlord, drawings for the build out of the Premises. Within ten (10) days after the receipt of the Tenant's drawings, Landlord, by notice in writing addressed to Tenant, shall indicate Landlord's approval of them or clearly specify any objections to them, the objections in all events to be reasonable. The work to be performed by Tenant as described in the drawings therefor, approved by Landlord as provided above, are herein referred to as "Tenant's Work." Any deficiency in design or construction shall be Tenant's sole responsibility, regardless of whether previously approved by Landlord.

The drawings for Tenant's Work shall be prepared by licensed architects in the employ of Tenant. Tenant shall bear all costs of preparing the drawings, provided that the expense of the drawings may be submitted by Tenant to Landlord as part of Tenant's Work for purposes of the Allowance. Landlord's approval of the drawings shall not constitute an opinion or agreement that they are in compliance with law (it being agreed that such compliance is solely Tenant's responsibility), nor shall such approval impose any present or future liability on Landlord or waive any of Landlord's rights under the Lease. Tenant shall provide Landlord with two (2) sets of the drawings.

(c) *Workmanship.* Tenant shall, to the reasonable satisfaction of Landlord, commence, construct, perform and complete all Tenant's Work in a good and workmanlike manner, in complete accordance with the drawings approved by Landlord.

(d) *Lease applicability before commencement date.* At all times prior to the Rent Commencement Date, all the provisions, covenants and conditions of the Lease shall be applicable to the Premises other than those requiring payment of Rent relating solely to the Premises.

(e) *Permits.* Prior to commencement of Tenant's Work, Tenant shall obtain, at its sole cost and expense, all permits and licenses and other consents and approvals of all governmental authorities as may be required in connection with Tenant's Work and shall deliver copies thereof to Landlord, provided that the expense of the permits, licenses, consents and approvals may be submitted by Tenant to Landlord as part of Tenant's Work for purposes of the Allowance.

(f) *Compliance with law.* Tenant's Work and all of Tenant's trade fixtures and equipment shall be performed, constructed and installed in accordance and in full compliance with all applicable governmental requirements, including without limitation all applicable laws, statutes, codes, ordinances and governmental rules, regulations and orders, as well as reasonable rules and regulations established by Landlord.

(g) *Approval of contractor.* Any contractor used by Tenant to perform Tenant's Work pursuant to this EXHIBIT B, must first be approved in writing by Landlord, which approval shall not be unreasonably withheld. Such approval shall be in Landlord's reasonable discretion based on the proposed contractor's financial condition, reputation and workmanship, but no such approval shall relieve Tenant of any of its other obligations hereunder or impose any liability upon Landlord.

(h) *Insurance; indemnification.* Prior to commencement of the work, the general contractor shall secure Builders Risk Insurance (Fire with Extended Coverage and Vandalism Endorsement) on a Completed Value Form with Landlord and Tenant as named assured, in an amount not less than 100% of the value of the work.

Tenant shall indemnify and hold harmless Landlord and any mortgagee(s) having an interest in the Premises, from and against any and all suits, actions, damages, losses, claims or liabilities, expense, including reasonable counsel fees, resulting from or due to the Tenant's work contemplated hereunder, whether same be as a result of the claims of other tenants in the Building or the Development, or acts or omissions of Tenant, its agents, employees, the architect, the general contractor, or any subcontractor, supplier, or materialman. Prior to the commencement of the work, Tenant shall provide Landlord evidence of the insurance required of Tenant in Article 9 of the Lease.

(i) *Mechanic's liens.* If any mechanic's or other labor or material lien is filed against the Premises, Building, or Development, or any part thereof as a result of Tenant's work, Tenant shall cause such lien to be discharged by payment, bond, or otherwise, within 30 days after it has knowledge or receives notice from Landlord, the architect, the general contractor, or any other person, that the lien was filed. If Tenant fails to do so, Landlord may obtain such discharge. In such event, Tenant shall indemnify and hold Landlord harmless from and against all expenses in connection therewith. Tenant shall reimburse Landlord for such expenses, on demand, as additional rent.

(j) *Inspections.* Landlord and its representatives shall have access to the Premises the course of Tenant's Work, at Landlord's expense, for the purpose of making inspections and insuring that Tenant and Tenant's contractors, suppliers and materialmen comply with the conditions of this EXHIBIT B. Landlord may at any time during the course of the work impose such other restrictions, rules and conditions as may be reasonably necessary to insure the proper completion of the work.

(k) *Consent.* Nothing herein contained shall imply any consent or agreement by the Landlord to subject Landlord's estate to liability under any mechanic's or other lien law.

(l) *Maintenance.* Tenant shall not permit the accumulation of building supplies, equipment, waste material, or rubbish outside the Premises, and during the construction and upon completion shall cause all rubbish, implements, material, and equipment to be removed from the Premises. At no time, shall the sidewalks, adjacent leased spaces, entrances, or public areas be blocked or interfered with, and Tenant shall maintain continuous protection of the Landlord's Building and the Development. If any damage is done to any other portions of the Building or Development, Tenant, at its own cost and expense, shall repair and/or replace same, in a manner satisfactory to the Landlord, to the condition existing prior to the commencement of the work. Tenant's Work shall be performed without interference and disruption to Landlord or other tenants, or the normal operations of the Landlord's Building and Development.

(m) *Tenant Allowance and Additional Tenant Allowance.* Landlord shall provide to Tenant a Tenant Allowance in the sum of \$35.00 per square foot of the Premises (\$263,200.00), which shall be used by Tenant toward the cost of construction of Tenant's Work, and an Additional Tenant Allowance of \$15.00 per square foot of the Premises (\$112,800.00) that Tenant may elect to use and repay as provided in Section 24 of the LIS, (collectively the "Allowances"). The Allowances may only be used for leasehold improvements that become part of the Premises, it being specifically understood and agreed that no portion of the Allowances may be used for removable trade fixtures, equipment, furniture or other personal property. All improvements constructed with Allowances dollars shall become part of the Premises and title thereto shall vest in Landlord upon installation. Except as otherwise provided herein, all costs of Tenant's Work that exceed the Allowances shall be paid by Tenant. Tenant hereby expressly grants Landlord an offset and deduction against the Allowances for all delinquent costs, payments, and expenses Tenant is obligated to pay Landlord pursuant to the Lease or otherwise due and owing to Landlord. The procedure for payment of the Allowance is provided in paragraph (n) below.

(n) *Records and disputes.* Tenant shall keep, maintain, and operate, full, true, and accurate books of account and full, true, and complete records with respect to Tenant's Work. Landlord and its representatives shall have full access to such books and records at all times during regular business hours and may examine and audit them. Tenant shall furnish Landlord all statements, information, vouchers, invoices, and supporting data it reasonably requires with respect to such work. Any dispute between the parties as to the cost of Tenant's Work shall be submitted for arbitration to the American Arbitration Association (or any successor organization) in accordance with the association's construction rules and regulations, and the parties shall be bound by its decision. The parties shall bear equally the expense of such arbitration, except that Tenant shall bear the entire expense if it is determined that Tenant's report of the cost of Tenant's Work was substantially incorrect. Throughout the period of Tenant's Work being completed, not more frequently than monthly, Tenant may submit to Landlord invoices for all or portions of Tenant's Work that has been completed along with a certificate signed by Tenant's general contractor and Tenant, certifying the portion of the Tenant's Work that has been completed, and the cost of the Tenant's Work that remains to be completed, along with evidence of such cost as Landlord shall reasonably require, and mechanic's lien affidavits and lien waivers in accordance with the mechanic's lien laws of the State of Missouri, and Landlord shall, within thirty (30) days of submission of the certificate and invoices, in full and proper form, reimburse Tenant therefor for the amount of such invoice, not to exceed the maximum Allowances provided herein, or Landlord may at its option, if Tenant has not already paid them, pay the Allowances directly to Tenant's contractor and others providing labor and materials for Tenant's Work.

Tenant

By: /s/ Jeff Ervin

Title: CEO

Date: Mar 1, 2019 | 8:04 AM CST

Guarantor

IMAC Holdings, Inc.

By: /s/ Jeff Ervin

Title: CEO

Date: Mar 1, 2019 | 8:04 AM CST

Landlord

Sagamore Hill Development Company, LLC

By: /s/ Tom Auner

Title: Manager

Date: Mar 1, 2019 | 9:14 AM CST

FIRST AMENDMENT TO LEASE

Landlord: Sagamore Hill Development Company, LLC

Tenant: Advantage Therapy, LLC, c/o IMAC Holdings, Inc.

Premises: 1301 E. Sunshine, Suites 100, 104, 108, 112 and 116, Springfield, MO 65804

This First Amendment to Lease is entered into this 3rd day of July, 2019, to include in the Lease dated March 1, 2019, the TO BE DETERMINED items in the Lease, as follows:

CONFIRMATION OF TO BE DETERMINED ITEMS (complete and initial):

Rent Commencement Date July 1, 2019. Tenant /s/ JE Landlord /s/ TA

Monthly Basic Rent \$12,107.20. Tenant /s/ JE Landlord /s/ TA

Leasable area in the Premises 7520 sq. ft. Tenant /s/ JE Landlord /s/ TA

Leasable area in the Development 23,568 sq. ft. Tenant /s/ JE Landlord /s/ TA

Tenant's Share of Additional Rent items, leasable area in the Premises/total leasable area in the Development, planned or completed = 31.9%.
Tenant /s/ JE Landlord /s/ TA

Estimated Additional Rent during the initial year of the Term \$2,633.33/month due with the Rent. Tenant /s/ JE Landlord /s/ TA

IN WITNESS WHEREOF, the undersigned, hereby acknowledge the foregoing.

Tenant
Advantage Therapy, LLC
c/o IMAC Holdings, Inc.

Landlord
Sagamore Hill Development Company,
LLC

By: /s/ Jeff Ervin
Jeff Ervin

By: /s/ Tom Auner
Thomas Y. Auner, Manager

Guarantors

By: /s/ Jeff Ervin
Jeff Ervin

Date: Jul 15, 2019 | 8:10 AM PDT

**Amended and Restated
Term Note**

\$140,000.00

September 19, 2019

FOR VALUE RECEIVED, PROGRESSIVE HEALTH & REHABILITATION, LTD. (the “**Borrower**”), with an address at 1283 West Dundee Road, Buffalo Grove, IL 60089-4009, promises to pay to the order of **PNC BANK, NATIONAL ASSOCIATION** (the “**Bank**”), in lawful money of the United States of America in immediately available funds at its offices located at 935 North Elmhurst Road, Mt. Prospect, Illinois 60056, or at such other location as the Bank may designate from time to time, the principal sum of **ONE HUNDRED FORTY THOUSAND AND 00/100 DOLLARS** (\$140,000.00) (the “**Facility**”), together with interest accruing on the outstanding principal balance from the date hereof, all as provided below.

1. Rate of Interest. Amounts outstanding under this Note will bear interest at a rate per annum (“**Fixed Rate**”) which is at all times equal to five and thirty-nine hundredths percent (5.39%). Interest will be calculated based on the actual number of days that principal is outstanding over a year of 360 days. In no event will the rate of interest hereunder exceed the maximum rate allowed by law.

2. Payment Terms. Principal and interest shall be due and payable in thirty-six (36) equal consecutive monthly installments, based upon a thirty-six (36) month amortization, in the amount of \$4,225.46 each (the “**Level Payment Amount**”), commencing on October 19, 2019 and continuing on the same day of each month thereafter. Any outstanding principal and accrued interest shall be due and payable in full on September 19, 2022. The Level Payment Amount is calculated on the assumption that each periodic payment will be made on the date when due, and if there is any variation in the actual payment dates, there may be an additional amount due upon maturity of this Note. Any amortization schedule provided to Borrower is only an estimate, and is superseded by the terms of this Note regarding the accrual and payment of interest. The Level Payment Amount may be adjusted upward from time to time by the Bank in its discretion if any payment(s) are made by the Borrower after their respective due date(s).

If any payment under this Note shall become due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest in connection with such payment. “**Business Day**” shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required by law to be closed for business in Mt. Prospect, Illinois. The Borrower hereby authorizes the Bank to charge the Borrower’s deposit account at the Bank for any payment when due. If the Borrower revokes this authorization for any reason whatsoever or fails to maintain a deposit account with the Bank which may be charged, the Bank may, at its option, upon thirty (30) days’ notice to the Borrower, increase the interest rate payable by the Borrower under this Note by twenty-five (25) basis points (0.25%). Payments received will be applied to charges, fees and expenses (including attorneys’ fees), accrued interest and principal in any order the Bank may choose, in its sole discretion.

3. Late Payments; Default Rate. If the Borrower fails to make any payment of principal, interest or other amount coming due pursuant to the provisions of this Note within fifteen (15) calendar days of the date due and payable, the Borrower also shall pay to the Bank a late charge equal to the lesser of five percent (5%) of the amount of such payment or \$100.00 (the “**Late Charge**”). Such fifteen (15) day period shall not be construed in any way to extend the due date of any such payment, Upon maturity, whether by acceleration, demand or otherwise, and at the Bank’s option upon the occurrence of any Event of Default (as hereinafter defined) and during the continuance thereof, each advance outstanding under this Note shall bear interest at a rate per annum (based on the actual number of days that principal is outstanding over a year of 360 days) which shall be five percentage points (5.00%) in excess of the interest rate in effect from time to time under this Note but not more than the maximum rate allowed by law (the “**Default Rate**”). The Default Rate shall continue to apply whether or not judgment shall be entered on this Note, Both the Late Charge and the Default Rate are imposed as liquidated damages for the purpose of defraying the Bank’s expenses incident to the handling of delinquent payments, but are in addition to, and not in lieu of, the Bank’s exercise of any rights and remedies hereunder, under the other Loan Documents or under applicable law, and any fees and expenses of any agents or attorneys which the Bank may employ. In addition, the Default Rate reflects the increased credit risk to the Bank of carrying a loan that is in default. The Borrower agrees that the Late Charge and Default Rate are reasonable forecasts of just compensation for anticipated and actual harm incurred by the Bank, and that the actual harm incurred by the Bank cannot be estimated with certainty and without difficulty.

4. Prepayment Fee. The Borrower shall have the right to prepay any advance hereunder at any time and from time to time, in whole or in part; provided, however, the Borrower shall pay to the Bank, as compensation for the cost of being prepared to advance fixed rate funds hereunder, a prepayment fee calculated as follows (the “**Prepayment Fee**”): (i) three percent (3.00%) of any principal amount prepaid during the first year after the date of this Note; (ii) two percent (2.00%) of any principal amount prepaid during the second year after the date of this Note; (iii) one percent (1.00%) of any principal amount prepaid during the third year after the date of this Note; and (iv) there shall be no Prepayment Fee with respect to any principal amounts prepaid thereafter. Any prepayment arising out of or relating to the direct or indirect refinancing of the indebtedness evidenced by this Note shall be deemed a prepayment subject to the payment of a Prepayment Fee calculated in accordance with this paragraph. The Prepayment Fee shall also apply to any payments made after acceleration of the maturity of this Note while a fixed rate is in effect. A notice as to any amounts payable pursuant to this paragraph given to the Borrower by the Bank shall, in the absence of manifest error, be conclusive and shall be payable upon demand.

5. Increased Costs: Yield Protection. On written demand, together with written evidence of the justification therefor, the Borrower agrees to pay the Bank all direct costs incurred, any losses suffered or payments made by the Bank as a result of any Change in Law (hereinafter defined), imposing any reserve, deposit, allocation of capital or similar requirement (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) on the Bank, its holding company or any of their respective assets relative to the Facility. “**Change in Law**” means the occurrence, after the date of this Note, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any governmental authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any governmental authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

6. Other Loan Documents. This Note is issued in connection with other agreements and documents executed and/or delivered in connection therewith or referred to therein, the terms of which are incorporated herein by reference (as amended, modified or renewed from time to time, collectively the “**Loan Documents**”), and is secured by the property (if any) described in the Loan Documents and by such other collateral as previously may have been or may in the future be granted to the Bank to secure this Note.

7. Events of Default. The occurrence of any of the following events will be deemed to be an “**Event of Default**” under this Note: (i) the nonpayment of any principal, interest or other indebtedness under this Note when due; (ii) the occurrence of any event of default or any default and the lapse of any notice or cure period, or any Obligor’s failure to observe or perform any covenant or other agreement, under or contained in any Loan Document or any other document now or in the future evidencing or securing any debt, liability or obligation of any Obligor to the Bank; (iii) the filing by or against any Obligor of any proceeding in bankruptcy, receivership, insolvency, reorganization, liquidation, conservatorship or similar proceeding (and, in the case of any such proceeding instituted against any Obligor, such proceeding is not dismissed or stayed within 30 days of the commencement thereof, provided that the Bank shall not be obligated to advance additional hinds hereunder during such period); (iv) any assignment by any Obligor for the benefit of creditors, or any levy, garnishment, attachment or similar proceeding is instituted against any property of any Obligor held by or deposited with the Bank; (v) a default with respect to any other indebtedness of any Obligor for borrowed money, if the effect of such default is to cause or permit the acceleration of such debt; (vi) the commencement of any foreclosure or forfeiture proceeding, execution or attachment against any collateral securing the obligations of any Obligor to the Bank; (vii) the entry of a final judgment against any Obligor and the failure of such Obligor to discharge the judgment within ten (10) days of the entry thereof; (viii) any merger, consolidation, division or other reorganization of, with or by an Obligor, or the sale or other transfer of all or any substantial part of an Obligor’s property or assets; (ix) any change in any Obligor’s business, assets, operations, financial condition or results of operations that has or could reasonably be expected to have any material adverse effect on any Obligor; (x) any Obligor ceases doing business as a going concern; (xi) any representation or warranty made by any Obligor to the Bank in any Loan Document or any other documents now or in the future evidencing or securing the obligations of any Obligor to the Bank, is false, erroneous or misleading in any material respect; (xii) if this Note or any guarantee executed by any Obligor is secured, the failure of any Obligor to provide the Bank with additional collateral if in the Bank’s opinion at any time or times, the market value of any of the collateral securing this Note or any guarantee has depreciated below that required pursuant to the Loan Documents or, if no specific value is so required, then in an amount deemed material by the Bank; (xiii) the revocation or attempted revocation, in whole or in part, of any guarantee by any Obligor; or (xiv) the death, incarceration, indictment or legal incompetency of any individual Obligor or, if any Obligor is a partnership or limited liability company, the death, incarceration, indictment or legal incompetency of any individual general partner or member. As used herein, the term “Obligor” means any Borrower and any guarantor of, or any pledgor, mortgagor or other person or entity providing collateral support for, the Borrower’s obligations to the Bank existing on the date of this Note or arising in the future.

Upon the occurrence of an Event of Default; (a) the Bank shall be under no further obligation to make advances hereunder; (b) if an Event of Default specified in clause (iii) or (iv) above shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder shall be immediately due and payable without demand or notice of any kind; (c) if any other Event of Default shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder, at the Bank's option and without demand or notice of any kind, may be accelerated and become immediately due and payable; (d) at the Bank's option, this Note will bear interest at the Default Rate from the date of the occurrence of the Event of Default; and (e) the Bank may exercise from time to time any of the rights and remedies available under the Loan Documents or under applicable law.

8. Right of Setoff. In addition to all liens upon and rights of setoff against the Borrower's money, securities or other property given to the Bank by law, the Bank shall have, with respect to the Borrower's obligations to the Bank under this Note and to the extent permitted by law, a contractual possessory security interest in and a contractual right of setoff against, and the Borrower hereby grants the Bank a security interest in, and hereby assigns, conveys, delivers, pledges and transfers to the Bank, all of the Borrower's right, title and interest in and to, all of the Borrower's deposits, moneys, securities and other property now or hereafter in the possession of or on deposit with, or in transit to, the Bank or any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., whether held in a general or special account or deposit, whether held jointly with someone else, or whether held for safekeeping or otherwise, excluding, however, all IRA, Keogh, and trust accounts. Every such security interest and right of setoff may be exercised without demand upon or notice to the Borrower. Every such right of setoff shall be deemed to have been exercised immediately upon the occurrence of an Event of Default hereunder without any action of the Bank, although the Bank may enter such setoff on its books and records at a later time.

9. Financial and Other Information. The Borrower agrees to deliver any financial and other business and ownership information concerning the Borrower or any Obligor that the Bank may request from time to time, such as annual and interim financial statements (all of which shall be prepared in accordance with generally accepted accounting principles), federal income tax returns, and certification(s) of beneficial owners in the form requested by the Bank (as executed and delivered to the Bank on or prior to the date of this Note and updated from time to time, the "**Certification of Beneficial Owners**"). If the Borrower was required to execute and deliver to the Bank a Certification of Beneficial Owners, (a) the Borrower represents and warrants, as of the date of this Note and as of the date each updated Certification of Beneficial Owners is provided to the Bank, that the information in the Certification of Beneficial Owners is true, complete and correct, and (b) the Borrower agrees to provide confirmation of the accuracy of the information set forth in the Certification of Beneficial Owners, or deliver a new Certification of Beneficial Owners in form and substance acceptable to the Bank, as and when requested by the Bank and/or when any individual identified on the most recent Certification of Beneficial Owners provided to the Bank as a controlling party and/or a direct or indirect individual owner has changed* The Borrower further agrees to provide such other information and documentation as may reasonably be requested by the Bank from time to time for purposes of compliance by the Bank with applicable laws (including without limitation the USA PATRIOT Act and other "know your customer" and anti-money laundering rules and regulations), and any policy or procedure implemented by the Bank to comply therewith.

10. Anti-Money Laundering/International Trade Law Compliance. The Borrower represents and warrants to the Bank, as of the date of this Note, the date of each advance of proceeds under the Facility, the date of any renewal, extension or modification of the Facility, and at all times until the Facility has been terminated and all amounts thereunder have been indefeasibly paid in full, that; (a) no Covered Entity (i) is a Sanctioned Person; (ii) has any of its assets in a Sanctioned Country or in the possession, custody or control of a Sanctioned Person; or (iii) does business in or with, or derives any of its operating income from investments in or transactions with, any Sanctioned Country or Sanctioned Person in violation of any law, regulation, order or directive enforced by any Compliance Authority; (b) the proceeds of the Facility will not be used to fund any operations in, finance any investments or activities in, or, make any payments to, a Sanctioned Country or Sanctioned Person in violation of any law, regulation, order or directive enforced by any Compliance Authority; (c) the funds used to repay the Facility are not derived from any unlawful activity; and (d) each Covered Entity is in compliance with, and no Covered Entity engages in any dealings or transactions prohibited by, any laws of the United States, including but not limited to any Anti-Terrorism Laws. Borrower covenants and agrees that it shall immediately notify the Bank in writing upon the occurrence of a Reportable Compliance Event.

As used herein; “**Anti-Terrorism Laws**” means any laws relating to terrorism, trade sanctions programs and embargoes, import/export licensing, money laundering, or bribery, all as amended, supplemented or replaced from time to time; “**Compliance Authority**” means each and all of the (a) U.S. Treasury Department/Office of Foreign Assets Control, (b) U.S. Treasury Department/Financial Crimes Enforcement Network, (c) U.S. State Department/Directorate of Defense Trade Controls, (d) U.S. Commerce Department/Bureau of Industry and Security, (e) U.S. Internal Revenue Service, (f) U.S. Justice Department, and (g) U.S. Securities and Exchange Commission; “**Covered Entity**” means the Borrower, its affiliates and subsidiaries, all guarantors, pledgors of collateral, all owners of the foregoing, and all brokers or other agents of the Borrower acting in any capacity in connection with the Facility; “**Reportable Compliance Event**” means that any Covered Entity becomes a Sanctioned Person, or is indicted, arraigned, investigated or custodially detained, or receives an inquiry from regulatory or law enforcement officials, in connection with any Anti-Terrorism Law or any predicate crime to any Anti-Terrorism Law, or self-discovers facts or circumstances implicating any aspect of its operations with the actual or possible violation of any Anti-Terrorism Law; “**Sanctioned Country**” means a country subject to a sanctions program maintained by any Compliance Authority; and “**Sanctioned Person**” means any individual person, group, regime, entity or thing listed or otherwise recognized as a specially designated, prohibited, sanctioned or debarred person or entity, or subject to any limitations or prohibitions (including but not limited to the blocking of property or rejection of transactions), under any order or directive of any Compliance Authority or otherwise subject to, or specially designated under, any sanctions program maintained by any Compliance Authority.

11. Indemnity. The Borrower agrees to indemnify each of the Bank, each legal entity, if any, who controls, is controlled by or is under common control with the Bank, and each of their respective directors, officers and employees (the “**Indemnified Parties**”), and to defend and hold each Indemnified Party harmless from and against any and all claims, damages, losses, liabilities and expenses (including all fees and charges of internal or external counsel with whom any Indemnified Party may consult and all expenses of litigation and preparation therefor) which any Indemnified Party may incur or which may be asserted against any Indemnified Party by any person, entity or governmental authority (including any person or entity claiming derivatively on behalf of the Borrower), in connection with or arising out of or relating to the matters referred to in this Note or in the other Loan Documents or the use of any advance hereunder, whether (a) arising from or incurred in connection with any breach of a representation, warranty or covenant by the Borrower, or (b) arising out of or resulting from any suit, action, claim, proceeding or governmental investigation, pending or threatened, whether based on statute, regulation or order, or tort, or contract or otherwise, before any court or governmental authority; provided, however, that the foregoing indemnity agreement shall not apply to any claims, damages, losses, liabilities and expenses solely attributable to an Indemnified Party’s gross negligence or willful misconduct. The indemnity agreement contained in this Paragraph shall survive the termination of this Note, payment of any advance hereunder and the assignment of any rights hereunder. The Borrower may participate at its expense in the defense of any such action or claim.

12. Miscellaneous. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder (“**Notices**”) must be in writing (except as may be agreed otherwise above with respect to borrowing requests or as otherwise provided in this Note) and will be effective upon receipt. Notices may be given in any manner to which the parties may agree. Without limiting the foregoing, first-class mail, postage prepaid, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. In addition, the parties agree that Notices may be sent electronically to any electronic address provided by a party from time to time. Notices may be sent to a party’s address as set forth above or to such other address as any party may give to the other for such purpose in accordance with this paragraph. No delay or omission on the Bank’s part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank’s action or inaction impair any such right or power. The Bank’s rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity. No modification, amendment or waiver of, or consent to any departure by the Borrower from, any provision of this Note will be effective unless made in a writing signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Notwithstanding the foregoing, the Bank may modify this Note for the purposes of completing missing content or correcting erroneous content, without the need for a written amendment, provided that the Bank shall send a copy of any such modification to the Borrower (which notice may be given by electronic mail). The Borrower agrees to pay on demand, to the extent permitted by law, all costs and expenses incurred by the Bank in the enforcement of its rights in this Note and in any security therefor, including without limitation reasonable fees and expenses of the Bank’s counsel. If any provision of this Note is found to be invalid, illegal or unenforceable in any respect by a court, all the other provisions of this Note will remain in full force and effect. The Borrower and all other makers and indorsers of this Note hereby forever waive presentment, protest, notice of dishonor and notice of non-payment. The Borrower also waives all defenses based on suretyship or impairment of collateral. If this Note is executed by more than one Borrower, the obligations of such persons or entities hereunder will be joint and several. This Note shall bind the Borrower and its heirs, executors, administrators, successors and assigns, and the benefits hereof shall inure to the benefit of the Bank and its successors and assigns; provided, however, that the Borrower may not assign this Note in whole or in part without the Bank’s written consent and the Bank at any time may assign this Note in whole or in part.

This Note has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated above is located. **THIS NOTE WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE BANK AND THE BORROWER DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE BANK'S OFFICE INDICATED ABOVE IS LOCATED, EXCLUDING ITS CONFLICT OF LAWS RULES, INCLUDING WITHOUT LIMITATION THE ELECTRONIC TRANSACTIONS ACT (OR EQUIVALENT) IN EFFECT IN SUCH STATE (OR, TO THE EXTENT CONTROLLING, THE LAWS OF THE UNITED STATES OF AMERICA, INCLUDING WITHOUT LIMITATION THE ELECTRONIC SIGNATURES IN GLOBAL AND NATIONAL COMMERCE ACT)** The Borrower hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank's office indicated above is located; provided that nothing contained in this Note will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any security or against any property of the Borrower within any other county, state or other foreign or domestic jurisdiction. The Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank and the Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Note.

13. Amendment and Restatement. This Note amends and restates, and is in substitution for, that certain Promissory Note in the original principal amount of \$750,000.00 payable to the order of the Bank and dated May 14, 2013 (the "**Existing Note**"). However, without duplication, this Note shall in no way extinguish, cancel or satisfy Borrower's unconditional obligation to repay all indebtedness evidenced by the Existing Note or constitute a novation of the Existing Note. Nothing herein is intended to extinguish, cancel or impair the lien priority or effect of any security agreement, pledge agreement or mortgage with respect to any Obligor's obligations hereunder and under any other document relating hereto. If the stated principal balance on the face of this Note (the "**Stated Balance**") is greater than the outstanding principal balance of the Existing Note as shown on the Bank's books and records on the date of this Note (the "**Record Balance**") due to a recent payment on the Existing Note, the Record Balance shall govern (notwithstanding the Stated Balance) and the final principal payment of this Note shall be reduced accordingly.

14. Commercial Purpose. The Borrower represents that the indebtedness evidenced by this Note is being incurred by the Borrower solely for the purpose of acquiring or carrying on a business, professional or commercial activity, and not for personal, family or household purposes.

15. USA PATRIOT Act Notice. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each Borrower that opens an account. What this means: when the Borrower opens an account, the Bank will ask for the business name, business address, taxpayer identifying number and other information that will allow the Bank to identify the Borrower, such as organizational documents. For some businesses and organizations, the Bank may also need to ask for identifying information and documentation relating to certain individuals associated with the business or organization.

16. Authorization to Obtain Credit Reports. By signing below, each Borrower who is an individual provides written authorization to the Bank or its designee (and any assignee or potential assignee hereof) to obtain the Borrower's personal credit profile from one or more national credit bureaus. Such authorization shall extend to obtaining a credit profile in considering this Note and subsequently for the purposes of update, renewal or extension of such credit or additional credit and for reviewing or collecting the resulting account.

17. Electronic Signatures and Records. Notwithstanding any other provision herein, the Borrower agrees that this Note, the Loan Documents, any amendments thereto, and any other information, notice, signature card, agreement or authorization related thereto (each, a "**Communication**") may, at the Bank's option, be in the form of an electronic record. Any Communication may, at the Bank's option, be signed or executed using electronic signatures. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Bank of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format) for transmission, delivery and/or retention.

18. Depository. The Borrower will establish and maintain with the Bank the Borrower's primary depository accounts. If the Borrower fails to establish and/or maintain its primary depository accounts with the Bank, the Bank may, at its option, upon thirty (30) days' notice to the Borrower, increase the interest rate payable by the Borrower under this Note by up to 1.00 percentage points (1.00%). The Bank's right to increase the interest rate pursuant to this paragraph shall be in addition to any other rights or remedies the Bank may have under this Note, all of which are hereby reserved, and shall not constitute a waiver, release or limitation upon the Bank's exercise of any such rights or remedies,

19. Representation by Counsel. The Borrower hereby represents that it has been represented by competent counsel of its choice, or has knowingly waived its right to use and retain counsel, in the negotiation and execution of this Note and the other Loan Documents; that it has read and fully understood the terms hereof; that the Borrower and any retained counsel have been afforded an opportunity to review, negotiate and modify the terms of this Note and the other Loan Documents; and that it intends to be bound hereby. In accordance with the foregoing, the general rule of construction to the effect that any ambiguities in a contract are to be resolved against the party drafting the contract shall not be employed in the construction and interpretation of this Note or any other Loan Document.

20. Credit Agreements Act. The Borrower expressly agrees that for purposes of this Note and the other Loan Documents: (i) this Note and the other Loan Documents shall be a "credit agreement" under the Illinois Credit Agreements Act, S15 ILCS 160/1, et seq., (the "**Credit Agreements Act**"); (ii) the Credit Agreements Act applies to this transaction including, but not limited to, the execution of this Note and the other Loan Documents; and (iii) any action on or in any way related to this Note and each and the Note shall be governed by the Credit Agreements Act.

21. Power to Confess Judgment. The Borrower hereby empowers any attorney of any court of record, after the occurrence of any Event of Default hereunder, to appear for the Borrower and, with or without complaint filed, confess judgment, or a series of judgments, against the Borrower in favor of the Bank or any holder hereof for the entire unpaid principal balance of this Note, all accrued interest and all other amounts due hereunder, together with costs of suit and attorneys' fees, and for doing so, this Note or a copy verified by affidavit shall be a sufficient warrant. The Borrower hereby forever waives and releases all errors in said proceedings and all rights of appeal and all relief from any and all appraisement, stay or exemption laws of any state now in force or hereafter enacted. Interest on any such judgment shall accrue at the statutory rate permitted under Illinois law.

No single exercise of the foregoing power to confess judgment, or a series of judgments, shall be deemed to exhaust the power, whether or not any such exercise shall be held by any court to be invalid, voidable, or void, but the power shall continue undiminished and it may be exercised from time to time as often as the Bank shall elect until such time as the Bank shall have received payment in full of the debt, interest and costs. Notwithstanding the attorney's commission provided for in the preceding paragraph (which is included in the warrant for purposes of establishing a sum certain), the amount of attorneys' fees that the Bank may recover from the Borrower shall not exceed the actual attorneys' fees incurred by the Bank.

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22. WAIVER OF JURY TRIAL. THE BORROWER IRREVOCABLY WAIVES ANY AND ALL RIGHTS THE BORROWER MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS NOTE, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS NOTE OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS- THE BORROWER ACKNOWLEDGES THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

The Borrower acknowledges that it has read and understood all the provisions of this Note, including the confession of judgment and waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

WITNESS/ATTEST:

PROGRESSIVE HEALTH & REHABILITATION, LTD.

/s/ Ed Osadzinski

By: /s/ Jason Hui

(SEAL)

Printed Name: Ed Osadzinski

Jason Hui, President

Title:

(Include title only If an officer of entity signing to the right)

**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. I am 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. I have disclosed, based on my 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.

November 14, 2019

/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 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 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.

November 14, 2019

/s/ Sheri Gardzina

Sheri Gardzina

Interim 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 September 30, 2019, 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 September 30, 2019, 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 September 30, 2019, 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.

November 14, 2019

/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 September 30, 2019, I, Sheri Gardzina, Interim 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 September 30, 2019, 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 September 30, 2019, 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.

November 14, 2019

/s/ Sheri Gardzina

Sheri Gardzina

Interim 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.
