

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

FORM 8-K/A
(Amendment No. 1)

Date of Report (Date Earliest Event Reported): July 17, 2024

FOXO TECHNOLOGIES INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	001-39783 (Commission File Number)	85-1050265 (IRS Employer Identification No.)
729 N. Washington Ave., Suite 600 Minneapolis, MN (Address of Principal Executive Offices)		55401 (Zip Code)
(612) 562-9447 (Registrant's telephone number, including area code)		

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.0001	FOXO	NYSE American

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☒

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. ☐

EXPLANATORY NOTE

This Amendment No. 1 to the Current Report on Form 8-K (this “**Amendment**”) is being filed by FOXO Technologies Inc., a Delaware corporation (the “**FOXO**” or the “**Company**”), for the purpose of amending Item 2.01 Completion of Acquisition or Disposition of Assets and Item 9.01 Financial Statements and Exhibits of that certain Current Report on Form 8-K originally filed by the Company with the Securities and Exchange Commission (the “**SEC**”) on July 23, 2024 (the “**Original Form 8-K**”) in connection with the completion of the acquisition of Myrtle Recovery Centers, Inc. (“**Myrtle**”). This Amendment is also being filed to provide the financial statements and pro forma financial information required by Items 9.01(a) and (b) of Form 8-K, which were not previously filed with the Original Form 8-K.

Item 2.01. Completion of Acquisition or Disposition of Assets.

On June 10, 2024, FOXO Technologies Inc., a Delaware corporation (the “**Company**”), entered into the Stock Exchange Agreement, as supplemented (the “**Myrtle SEA**”), with Myrtle Recovery Centers, Inc., a Tennessee corporation (“**Myrtle**”), and Rennova Health, Inc., a Delaware corporation (“**RHI**”). Pursuant to the Myrtle SEA, upon closing, RHI exchanged with the Company 100 shares of Common Stock of Myrtle (which represents 98.4% of the issued and outstanding shares of Myrtle Common Stock) for total consideration of \$500,000 (the “**Myrtle Purchase Price**”), which payment was made by the issuance of a number of shares of Class A Common Stock of the Company determined by dividing \$500,000 by the volume weighted average price (the “**VWAP**”) on the day immediately prior to the closing date (the “**Price**”) but in no event would the number of shares be more than 19.99% of the number of outstanding shares of the Company’s Class A Common Stock on the trading day prior to the closing date. Since the number of FOXO Shares issued to RHI multiplied by the Price was less than \$500,000, as a result of a limitation placed on the Company by the rules of the New York Stock Exchange, the Company issued to RHI a non-interest-bearing demand note for the deficit, as more fully discussed below. If the earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) indicated in the audited financial statements of Myrtle varies by more than 10% from the Myrtle Financial Statements (as defined in the Myrtle SEA), the Myrtle Purchase Price will automatically increase or decrease on a dollar for dollar basis and, if increased, the difference will be paid in additional shares of Class A Common Stock of the Company or cash or, if decreased, the difference will result in either cancellation of Class A Common Stock of the Company or return of cash paid. On July 17, 2024, the board of directors of FOXO approved the closing of Myrtle SEA effective as of June 14, 2024.

Pursuant to the terms of the Myrtle Agreement, as of June 30, 2024, the Company recorded a non-interest bearing note payable due on demand to RHI in the amount of \$264,565 and it recorded the remaining purchase price of \$235,435 payable in 1,023,629 shares of its Class A Common Stock issuable to RHI as additional paid-in-capital. The value of the Company’s Class A Common Stock, which was \$0.23 per share, was based on the volume weighted average price of the Company’s Common Stock on the day prior to closing, per the terms of the Myrtle Agreement. Accordingly, the Company issued the shares to RHI on July 17, 2024. The purchase price payable for the equity interest in Myrtle was subject to certain post-closing adjustments, as provided in the Myrtle SEA. The Company does not expect any change to the purchase price now that audited financial statements have been completed.

Myrtle was formed in the second quarter of 2022 to pursue opportunities in the behavioral health sector, including substance abuse treatment, initially in rural markets. Services are provided on either an inpatient, residential basis or an outpatient basis. On August 10, 2023, Myrtle was granted an initial license by the Department of Mental Health and Substance Abuse Services of Tennessee to operate an alcohol and drug treatment facility in Oneida Tennessee. The facility, which is located at RHI’s Big South Fork Medical Center campus, commenced operations and began accepting patients on August 14, 2023. The facility offers alcohol and drug residential detoxification and residential rehabilitation treatment services for up to 30 patients. On November 1, 2023, Myrtle began accepting patients at its Nonresidential Office-Based Opiate Treatment Facility (“**OBOT**”). The OBOT is located adjacent to Myrtle’s alcohol and drug treatment facility in Oneida, Tennessee and supplements the existing residential rehabilitation and detoxification services offered at Myrtle. Myrtle has now been granted two full licenses from the Tennessee Department of Mental Health and Substance Abuse Services, effective August 1, 2024, for 12 months. The first license authorizes the provision of services for alcohol and drug residential detoxification treatment, as well as alcohol and drug residential rehabilitation treatment. The second license authorizes the provision of services for non-residential office-based opiate treatment. Myrtle has also entered into in-network contracts with a number of commercial payers in the second and third quarter 2024 and expects to transition its business from a startup phase throughout the remainder of 2024.

On April 11, 2023, Myrtle sold shares of its common stock equivalent to a 1.961% ownership stake in the subsidiary for de minimis value to an unaffiliated individual licensed as a physician in Tennessee. The shares have certain transfer restrictions, including the right of the subsidiary to transfer the shares to another physician licensed in Tennessee for de minimis value. The shares were sold to the individual to meet the requirements of certain Tennessee healthcare regulations.

Costs associated with the transaction consisted of the Myrtle Purchase Price and \$5,000 for legal fees. No closing or other costs were subsequently identified and recorded. There were approximately \$3,881,000 of accounts payable, accrued expenses, right-of-use lease liability and a note payable to RHI that were transferred as part of the transaction.

The summary of the Myrtle SEA set forth above does not purport to be complete and is qualified in its entirety by reference to the full text of the Myrtle SEA, which was filed as Exhibit 99.1 to the Original 8-K and is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The following financial statements of Myrtle are being filed as exhibits hereto and are incorporated by reference herein:

Exhibit 99.3 – Audited Financial Statements of Myrtle, including independent auditor’s report, as of December 31, 2023 and 2022 and for the year ended December 31, 2023 and the period from June 8, 2022 (the date of inception) to December 31, 2022.

Exhibit 99.4 – Unaudited Condensed Financial Statements of Myrtle as of June 13, 2024 and for the period January 1, 2024 to June 13, 2024.

(b) Pro forma financial information.

The following pro forma financial information is being filed as an exhibit hereto and is incorporated by reference herein:

Exhibit 99.5 – Unaudited pro forma statements of operations and explanatory notes for FOXO for the six months ended June 30, 2024 and for the year ended December 31, 2023.

(c) Not applicable.

(d) Exhibits.

Exhibit No.	Exhibit Description
99.1*	<u>Share Exchange Agreement dated June 10, 2024 by, between and among FOXO Technologies Inc., Myrtle Recovery Centers, Inc. and Rennova Health, Inc.</u>
99.2*	<u>Share Exchange Agreement dated June 10, 2024 by and among FOXO Technologies Inc., Rennova Community Health, Inc., and Rennova Health, Inc.</u>
99.3	<u>Audited Financial Statements of Myrtle Recovery, Inc. as of December 31, 2023 and 2022 and for the year ended December 31, 2023 and from June 8, 2022 (the date of inception) to December 31, 2022.</u>
99.4	<u>Unaudited Condensed Financial Statements of Myrtle Recovery, Inc. as of June 13, 2024 and for the period January 1 to June 13, 2024.</u>
99.5	<u>Unaudited pro forma condensed combined statements of operations and explanatory notes for the six months ended June 30, 2024 and for the year ended December 31, 2023.</u>
99.6*	<u>Press release of FOXO Technologies Inc. dated June 14, 2024.</u>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Previously filed with the Original Form 8-K filed on June 13, 2024

SIGNATURES

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

FOXO Technologies Inc.

Date: August 28, 2024

By: /s/ Mark White

Name: Mark White

Title: Interim Chief Executive Officer

MYRTLE RECOVERY CENTERS, INC.
FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Myrtle Recovery Centers, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Myrtle Recovery Centers, Inc. (the Company) as of December 31, 2023 and 2022, and the related statements of operations, stockholders' deficit, and cash flows for the year ended December 31, 2023 and the period from June 8, 2022 (date of inception) through December 31, 2022, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the year ended December 31, 2023 and the period from June 8, 2022 (date of inception) through December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Consideration of the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has recurring losses, negative cash flows from operations and a working capital deficit. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Haynie & Company
Salt Lake City, Utah
August 28, 2024

We have served as the Company's auditor since 2024.

PCAOB # 0457

MYRTLE RECOVERY CENTERS, INC.
BALANCE SHEETS

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
ASSETS		
Current assets:		
Cash	\$ 1,262	\$ -
Accounts receivable, net	139,418	-
Other current asset	<u>2</u>	<u>-</u>
Total current assets	140,682	-
Property and equipment, net	<u>234,503</u>	<u>-</u>
Total assets	\$ 375,185	\$ -
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 179,085	\$ -
Accrued payroll	32,935	-
Loans from Parent	<u>1,281,718</u>	<u>32,198</u>
Total liabilities	1,493,738	32,198
Commitments and contingencies (Note 6)		
Stockholders' deficit:		
Common stock, \$0.01 par value, 102 shares authorized, 102 and 100 shares issued and outstanding, respectively	1	1
Additional paid-in-capital	101	99
Accumulated deficit	<u>(1,118,655)</u>	<u>(32,298)</u>
Total stockholders' deficit	(1,118,553)	(32,198)
Total liabilities and stockholders' deficit	\$ 375,185	\$ -

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

MYRTLE RECOVERY CENTERS, INC.
STATEMENTS OF OPERATIONS

	For the Year Ended December 31, 2023	From June 8, 2022 (the Date of Inception) to December 31, 2022
Net Revenues	\$ 139,550	\$ -
Operating expenses:		
Direct costs of revenues	258,461	-
General and administrative expenses (includes related party charges of \$163,935 and \$0, respectively)	960,015	32,298
Depreciation	7,431	-
Total operating expenses	1,225,907	32,298
Loss before income taxes	(1,086,357)	(32,298)
Provision for income taxes	-	-
Net loss	\$ (1,086,357)	\$ (32,298)

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

MYRTLE RECOVERY CENTERS, INC.
STATEMENTS OF STOCKHOLDERS' DEFICIT
For the Year Ended December 31, 2023 and From June 8, 2022 (the Date of Inception) to December 31, 2022

	Common Stock		Additional paid-in capital	Accumulated Deficit	Stockholders' Deficit
	Shares	Amount			
Balance at June 8, 2022	-	\$ -	\$ -	\$ -	\$ -
Issuance of common stock	100	1	99	-	100
Net loss	-	-	-	(32,298)	(32,298)
Balance at December 31, 2022	100	1	99	(32,298)	(32,198)
Issuance of common stock	2	-	2	-	2
Net loss	-	-	-	(1,086,357)	(1,086,357)
Balance at December 31, 2023	102	\$ 1	\$ 101	\$ (1,118,655)	\$ (1,118,553)

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

MYRTLE RECOVERY CENTERS, INC.
STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2023	From June 8, 2022 (the Date of Inception) to December 31, 2022
Cash flows used in operating activities:		
Net loss	\$ (1,086,357)	\$ (32,298)
Adjustments to reconcile net loss to net cash used in operations:		
Depreciation	7,431	-
Changes in operating assets and liabilities:		
Accounts receivable	(139,418)	-
Other current asset	(2)	-
Accounts payable	179,085	-
Accrued expenses	32,935	-
Net cash used in operating activities	(1,006,326)	(32,298)
Cash flows used in investing activities:		
Capital expenditures	(241,934)	-
Net cash used in investing activities	(241,934)	-
Cash flows provided by financing activities:		
Loans from Parent	1,249,520	32,198
Issuance of common stock	2	100
Net cash provided by financing activities	1,249,522	32,298
Net change in cash	1,262	-
Cash at beginning of period	-	-
Cash at end of period	\$ 1,262	\$ -
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

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

MYRTLE RECOVERY CENTERS, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

Note 1 – Formation and Basis of Presentation

Formation

On June 8, 2022, Rennova Health, Inc. and its subsidiaries (“RHI” or “Parent”) founded its subsidiary, Myrtle Recovery Centers, Inc. (“Myrtle”), a Tennessee corporation, to pursue opportunities in the behavioral health sector, initially in rural markets. Myrtle is leveraging RHI’s existing physical locations and corporate and regional infrastructure to offer behavioral health services, including substance abuse treatment, with plans to duplicate the model in different locations. Services are provided on either an inpatient, residential basis or an outpatient basis.

On April 11, 2023, Myrtle sold shares of its common stock equivalent to a 1.961% ownership stake in Myrtle for de minimis value to an unaffiliated individual licensed as a physician in Tennessee. The shares have certain transfer restrictions, including the right of the subsidiary to transfer the shares to another physician licensed in Tennessee for de minimis value. The shares were sold to the individual for Tennessee healthcare regulatory reasons.

On August 10, 2023, Myrtle was granted a license by the Department of Mental Health and Substance Abuse Services of Tennessee to operate an alcohol and drug treatment facility in Oneida, Tennessee. The facility, which is located at RHI’s Big South Fork Medical Center campus in Oneida, Tennessee, commenced operations and began accepting patients on August 14, 2023. The facility offers alcohol and drug residential detoxification and residential rehabilitation treatment services for up to 30 patients. On November 1, 2023, Myrtle began accepting patients at its Nonresidential Office-Based Opiate Treatment Facility (“OBOT”). The OBOT is located adjacent to Myrtle’s alcohol and drug treatment facility in Oneida, Tennessee and supplements the existing residential rehabilitation and detoxification services offered at Myrtle.

Recent Event

On June 10, 2024, Myrtle and RHI entered into an agreement with FOXO Technology Inc. (“FOXO”) wherein RHI agreed to exchange all of its equity interest in Myrtle for \$0.5 million payable in shares of FOXO’s Class A Common Stock, subject to certain post-closing adjustments (the “Transaction”). The Transaction closed effective June 14, 2024. On June 25, 2024, FOXO and RHI agreed under the terms of a consent and waiver that in the event that the New York Stock Exchange (“NYSE”) determines that the total number of FOXO Class A Common Stock payable under the Transaction cannot be issued prior to receipt of approval by FOXO’s shareholders, FOXO agreed to issue the maximum number of shares permissible by NYSE and to provide a note for the balance payable that can be paid by FOXO in cash at any time or in FOXO shares upon receipt of the required approvals. Accordingly, on July 17, 2024, FOXO issued to RHI 1.0 million shares of its Class A Common Stock and a note payable in the amount of \$0.3 million.

Basis of Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and require management to make certain judgments, estimates, and assumptions. These may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. They also may affect the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates upon subsequent resolution of identified matters.

The financials statements include assets and liabilities of Myrtle. All significant intercompany transactions between Myrtle and Parent have been included within the caption “Loans from Parent” on the Balance Sheets and Cash Flow Statements and all external debt of RHI not directly attributable to Myrtle has been excluded from the Balance Sheets of Myrtle. See the discussion of charges made by RHI to Myrtle in the paragraph below.

Cost Allocations and Charges

No costs allocations or charges from RHI were incurred by Myrtle during the period June 8, 2022 (the date of inception) to December 31, 2022, as Myrtle did not begin operations until the latter part of 2023. The expenses incurred by Myrtle during 2022 were primarily for third-party consulting services.

During the year ended December 31, 2023, RHI charged Myrtle for rent and hoteling expenses in connection with its use of and physical location on RHI's Big South Fork Medical Center's campus. RHI has not charged for various corporate costs incurred in the operation of Myrtle's business. Had RHI charged Myrtle for such services, it is estimated that the charges would be approximately \$15,000 per month beginning in the last half of 2023. Therefore, the financial statements of Myrtle do not reflect the actual expenses that would have been incurred and do not reflect Myrtle's results of operations, financial position and cash flows had Myrtle been a standalone company during the periods presented. Actual costs that would have been incurred if Myrtle had been a standalone company would depend on multiple factors, including organizational structure, capital structure, and strategic decisions made in various areas, including information technology and infrastructure. Transactions between Myrtle and RHI have been included as related party transactions in the financial statements. The total net effect of these transactions is reflected in the Statements of Cash Flows as a financing activity and on the Balance Sheets as "Loans from Parent." See Note 5.

On June 1, 2024, Myrtle and RHI entered into a management agreement and on June 14, 2024, Myrtle and RHI entered into a lease agreement. These agreements are more fully discussed in Note 8.

Comprehensive Loss

During the year ended December 31, 2023 and the period from June 8, 2022 (the date of inception) to December 31, 2022, comprehensive loss was equal to the net loss amounts presented in the Statements of Operations.

Going Concern

Under Accounting Standards Codification ("ASC") 205-40, Presentation of Financial Statements—Going Concern, Myrtle has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. As required by ASC 205-40, this evaluation shall initially not take into consideration the potential mitigating effects of plans that have not been fully implemented as of the date the financial statements are issued. Management has assessed Myrtle's ability to continue as a going concern in accordance with the requirement of ASC 205-40.

The accompanying financial statements have been prepared in accordance with U.S. GAAP. The financial statements have been prepared using U.S. GAAP applicable to a going concern that contemplates the realization of assets and liquidation of liabilities in the normal course of business. Myrtle has accumulated losses and has negative cash flows from operations and, at December 31, 2023, had a working capital deficit and accumulated deficit of \$1.4 million and \$1.1 million, respectively. In addition, Myrtle's cash position is critically deficient. All of this raises substantial doubt about Myrtle's ability to continue as a going concern.

Management's plans with respect to Myrtle's ability to continue as a going concern are as follows: As discussed in Notes 1 and 8, effective June 14, 2024, RHI exchanged all of its equity interest in Myrtle for \$0.5 million payable in shares of FOXO's Class A Common Stock and a note, subject to certain post-closing adjustments. The sale is intended, among other things, to: (1) result in improved business and operational decision-making and greater strategic and management focus for Myrtle; (2) improve the ability of Myrtle to expand its business locations and to attract, retain and incentivize employees; and (3) improve access to capital to fund its expansion.

There can be no assurance that Myrtle will be able to achieve its business plan, raise any additional capital or secure the additional financing necessary to implement its current operating and expansion plans. The ability of Myrtle to continue as a going concern is dependent upon its ability to significantly increase its revenues and achieve profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if Myrtle is unable to continue as a going concern.

Note 2 – Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant areas of estimation include contractual allowances, allowances for doubtful accounts, impairment of assets and rates for depreciation and amortization, accrued and contingent liabilities, and future income tax obligations (benefits), among other items. Actual results could differ from those estimates and would impact future results of operations and cash flows.

Cash and Cash Equivalents

Myrtle considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

Myrtle recognizes revenue in accordance with ASC, “*Revenue from Contracts with Customers (Topic 606)*,” including subsequently issued updates. Myrtle’s revenues relate to contracts with patients in which its performance obligations are to provide behavioral healthcare services to its patients. Revenues are recorded when charges are entered into the Company’s billing system which approximates the period its obligations to provide healthcare services are satisfied, subject to certain retrospective billing adjustments. Myrtle’s performance obligations for inpatient services are generally satisfied over periods averaging approximately 7 to 28 days depending on the service line, and revenues are recognized based on charges incurred. The contractual relationships with patients, in most cases, also involve third-party payers and the transaction prices for the services provided are dependent upon the terms provided or negotiated with the third-party payers. The payment arrangements with third-party payers for the services Myrtle provides to its patients typically specify payments at amounts less than its standard charges. Services provided to patients are generally paid at prospectively determined rates per diem. Management continually reviews the contractual estimation process to consider the frequent changes in managed care contractual terms resulting from contract negotiations. Under the revenue recognition accounting guidance, revenues are presented net of estimated contractual allowances and estimated implicit price concessions. Myrtle’s net revenues are based upon the estimated amounts it expects to be entitled to receive from third-party payers and patients based, in part, on Tennessee Medicaid rates.

The collection of outstanding receivables is Myrtle’s primary source of operating cash and is critical to its operating performance. The primary collection risks relate to patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. Implicit price concessions relate primarily to amounts due directly from patients. Accounts are written off when all reasonable internal and external collection efforts have been carried out. The estimates for implicit price concessions are based upon management’s assessment of historical write offs and expected net collections, business and economic conditions and other collection indicators.

Contractual Allowances and Doubtful Accounts Policy

Per the accounting guidance, Myrtle does not present “allowances for doubtful accounts” on its balance sheets, rather its accounts receivable is reported at realizable value, net of estimated contractual allowances and estimated implicit price concessions (also referred to as doubtful accounts). Historical collection and payer reimbursement experience is an integral part of the estimation process related to contractual allowances and doubtful accounts. Receivables deemed to be uncollectible are charged against the allowance for doubtful accounts at the time such receivables are written-off. Recoveries of receivables previously written-off are recorded as credits to the allowance for doubtful accounts. Revisions to the allowances for doubtful accounts are recorded as adjustments to revenues.

During the year ended December 31, 2023, estimated contractual allowances and implicit price concessions of \$0.2 million have been recorded as reductions to Myrtle’s revenues and accounts receivable balances to enable it to record its revenues and accounts receivable at the estimated amounts it expects to collect. As required by Topic 606, after estimated implicit price concessions and contractual and related allowance adjustments to revenues of \$0.2 million for the year ended December 31, 2023, Myrtle reported net revenues of \$0.1 million. Myrtle did not earn revenues during the period from June 8, 2022 (the date of inception) to December 31, 2022. Myrtle continues to review the provisions for implicit price concessions and contractual allowances. See Note 3.

Impairment or Disposal of Long-Lived Assets

Myrtle accounts for the impairment or disposal of long-lived assets according to the Financial Accounting Standards Board (“FASB”) ASC 360, “*Property, Plant and Equipment*.” Long-lived assets are reviewed when facts and circumstances indicate that the carrying value of the asset may not be recoverable. When necessary, impaired assets are written down to estimated fair value based on the best information available. Estimated fair value is generally based on either appraised value or measured by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from such estimates. Myrtle did not record asset impairment charges during the year ended December 31, 2023 and during the period from June 8, 2022 (the date of inception) to December 31, 2022.

Fair Value of Financial Instruments

In accordance with ASC 820, “Fair Value Measurements and Disclosures,” Myrtle applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, Myrtle considers the principal or most advantageous market in which it would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities that Myrtle has the ability to access at the measurement date.
- Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets; or quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets).
- Level 3 applies to assets or liabilities for which fair value is derived from valuation techniques in which one or more significant inputs are unobservable, including Myrtle’s own assumptions.

At December 31, 2023, the carrying value of Myrtle’s accounts receivable, accounts payable and accrued expenses approximated their fair values due to their short-term natures. Myrtle did not have accounts receivable, account payable and accrued expenses at December 31, 2022. Myrtle had no level 1, 2 or 3 assets or liabilities at December 31, 2023 and 2022. As of December 31, 2023, the carrying value of Myrtle’s property and equipment represented their fair values.

Income Taxes

Myrtle was included in the consolidated income tax returns of RHI for the years ended December 31, 2023 and 2022 and a determination has been made by RHI’s management not to allocate any of the deferred tax assets or liabilities to Myrtle as of December 31, 2023 and 2022. Accordingly, Myrtle has not provided for income taxes in the financial statements. On June 14, 2024, RHI exchanged all of its equity interest in Myrtle to FOXO as more fully discussed in Notes 1 and 8. Accordingly, Myrtle will begin to recognize income taxes as appropriate based upon its new ownership structure. In that event, it is expected that Myrtle will use the liability method of accounting for income taxes. Under the liability method, future tax liabilities and assets are recognized for the estimated future tax consequences attributable to differences between the amounts reported in the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantially enacted income tax rates expected to apply when the asset is realized or the liability settled. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized. When projected future taxable income is insufficient to provide for the realization of deferred tax assets, Myrtle will recognize a valuation allowance.

In accordance with U.S. GAAP, Myrtle is required to determine whether a tax position of Myrtle is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Derecognition of a tax benefit previously recognized could result in Myrtle recording a tax liability that would reduce net assets. Myrtle determined that it has not incurred any liability for tax benefits as of December 31, 2023 and 2022. State income taxes will also be due on any income generated in the future.

Note 3 – Accounts Receivable

Accounts receivable at December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Accounts receivable	\$ 347,418	\$ -
Less:		
Contractual allowances	(208,000)	-
Allowance for doubtful accounts	-	-
Accounts receivable, net	\$ 139,418	\$ -

For the year ended December 31, 2023 and from June 8, 2022 (the date of inception) to December 31, 2022, Myrtle did not incur bad debt recovery/(expense) and, therefore, there was no adjustment to revenues for bad debt recovery/(expense) in the periods presented.

Note 4 – Property and Equipment

Property and equipment at December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Leasehold improvements	\$ 142,960	\$ -
Furniture and equipment	84,699	-
Medical equipment	6,500	-
Software	7,775	-
	<u>241,934</u>	<u>-</u>
Less accumulated depreciation	(7,431)	-
Property and equipment, net	\$ 234,503	\$ -

Property and equipment are depreciated on a straight-line basis over their respective lives. Leasehold improvements are being depreciated over ten years and furniture and equipment, medical equipment and software are being depreciated over lives ranging from one to seven years. Depreciation expense on property and equipment was \$7,431 and \$0 for the year ended December 31, 2023 and the period from June 8, 2022 (the date of inception) to December 31, 2022, respectively. Management periodically reviews the valuation of property and equipment, for potential impairment. Management did not recognize any impairment of these assets during the year ended December 31, 2023.

Note 5 – Loans from Parent

To fund its operations, Myrtle has relied on non-interest bearing loans from Parent. The loans totaled \$1,281,718 and \$32,198 as of December 31, 2023 and 2022, respectively. The loans are reflected on the Balance Sheets in the caption, “Loans from Parent.” On June 13, 2024, Myrtle issued a promissory note to Parent for a portion of the then outstanding balance of the loans, as more fully discussed in Note 8. Under the terms of the Transaction, Myrtle will continue to owe these amounts to Parent. The Transaction is more fully discussed in Notes 1 and 8

Related Party Charges

RHI charged Myrtle rent for use of RHI’s Big South Fork Medical Center campus and it charged hoteling expenses for ancillary services that it provides. These expenses, which are included in general and administrative expenses on the Statement of Operations, are as follows:

	Year Ended December 31, 2023	From June 8, 2022 (the date of inception) to December 31, 2022
Rent expense	\$ 148,500	\$ -
Hoteling expenses (primarily dietary and housekeeping)	15,435	-
Total related party charges	\$ 163,935	\$ -

On June 1, 2024, Myrtle and RHI entered into a management agreement and on June 14, 2024, Myrtle and RHI entered into a lease agreement. These agreements are more fully discussed in Note 8.

Note 6– Commitments and Contingencies

Concentration of Credit Risk

Credit risk with respect to accounts receivable is generally lower due to the nature of the customers comprising the customer base. Myrtle continually monitors and evaluates its client acceptance and collection procedures to minimize potential credit risks associated with its accounts receivable and establishes an allowance for uncollectible accounts and, as a consequence, believes that its accounts receivable credit risk exposure beyond such allowance is not material to the financial statements.

Myrtle maintains its cash balances in high-credit-quality financial institutions. Myrtle expects that its cash balances may, at times in the future, exceed the deposit insurance limits provided by the Federal Deposit Insurance Corp., Inc.

Legal Matters

From time to time, Myrtle may be involved in a variety of claims, lawsuits, investigations and proceedings related to contractual disputes, employment matters, regulatory and compliance matters, intellectual property rights and other litigation arising in the ordinary course of business. Myrtle's policy is to expense legal fees and expenses incurred in connection with legal proceedings in the period in which the expense is incurred. Myrtle operates in a highly regulated industry which may inherently lend itself to legal matters. Management is aware that litigation has associated costs and that results of adverse litigation verdicts could have a material effect on Myrtle's financial position or results of operations. Management, in consultation with legal counsel, has determined that there are no known legal matters affecting Myrtle presently outstanding.

Note 7 – Recent Accounting Pronouncements

In December 2023, the FASB issued Accounting Standards Update ("ASU") 2023-09, *Improvements to Income Tax Disclosures*, which requires enhanced annual disclosures for specific categories in the rate reconciliation and income taxes paid disaggregated by federal, state and foreign taxes. ASU 2023-09 is effective for Myrtle for annual periods beginning after December 15, 2025. Myrtle plans to adopt ASU 2023-09 effective January 1, 2026 applying a retrospective approach to all prior periods presented in the financial statements. Myrtle expects the adoption of this ASU to enhance its income tax disclosures.

Other pronouncements issued by the FASB with future effective dates are either not applicable or are not expected to have a material impact on the Myrtles' financial position, results of operations or cash flows.

Note 8 – Subsequent Events

Management and Lease Agreements

On June 1, 2024, Myrtle and RHI entered into a management agreement wherein RHI agreed to provide management and consulting services to Myrtle for a management fee of \$15,000 per month. The agreement can be terminated by either party at any time without cause on thirty days written notice to the other party.

On June 14, 2024, Myrtle entered into a lease agreement with RHI under which Myrtle agreed to lease facilities at RHI's Big South Fork Medical Center campus beginning on June 14, 2024 for a term of one year with five annual options to renew for an additional year with an initial monthly base rental amount of \$35,000 and annual rent increases equal to the greater of 3% and the consumer price index.

Exchange of RHI's Equity Interest in Myrtle for FOXO Technologies Inc.'s Class A Common Stock/Note Payable

Effective June 14, 2024, RHI closed the Transaction with FOXO as more fully discussed in Note 1.

Loans From Parent

On June 13, 2024, Myrtle issued a promissory note to Parent in the principal amount of \$1.6 million to formalize a portion of the Loans from Parent that were outstanding on that date. The note is non-interest bearing, except if not paid by the maturity date of December 31, 2024, in which case the note will bear interest at 18% per annum.

MYRTLE RECOVERY CENTERS, INC.
UNAUDITED CONDENSED FINANCIAL STATEMENTS

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MYRTLE RECOVERY CENTERS, INC.
UNAUDITED CONDENSED BALANCE SHEET

**June 13,
2024**

ASSETS

Current assets:

Cash	\$ 5,757
Accounts receivable, net	283,313
Other current asset	2
Total current assets	289,072

Property and equipment, net	221,045
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Total assets	\$ 510,117
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LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:

Accounts payable	\$ 265,993
Accrued payroll	63,711
Accrued expenses	1,769
Loans from Parent	453,782
Note payable to Parent	1,610,617
Total current liabilities	2,395,872

Commitments and contingencies (Note 6)

Stockholders' deficit:

Common stock, \$0.01 par value, 102 shares authorized, 102 shares issued and outstanding	1
Additional paid-in-capital	101
Accumulated deficit	(1,885,857)

Total stockholders' deficit	(1,885,755)
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Total liabilities and stockholders' deficit	\$ 510,117
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The accompanying notes are an integral part of these condensed financial statements.

MYRTLE RECOVERY CENTERS, INC.
UNAUDITED CONDENSED STATEMENT OF OPERATIONS

	January 1 to June 13, 2024
Net Revenues	\$ 281,117
Operating expenses:	
Direct costs of revenues	263,304
General and administrative expenses (includes related party charges of \$277,922)	771,557
Depreciation	13,458
Total operating expenses	1,048,319
Loss before income taxes	(767,202)
Provision for income taxes	—
Net loss	\$ (767,202)

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

MYRTLE RECOVERY CENTERS, INC.
UNAUDITED CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIT
For the Period January 1 to June 13, 2024

	Common Stock		Additional paid-in capital	Accumulated Deficit	Stockholders' Deficit
	Shares	Amount			
Balance at December 31, 2023	102	\$ 1	\$ 101	\$ (1,118,655)	\$ (1,118,553)
Net loss	-	-	-	(767,202)	(767,202)
Balance at June 13,2024	102	\$ 1	\$ 101	\$ (1,885,857)	\$ (1,885,755)

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

MYRTLE RECOVERY CENTERS, INC.
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS

	January 1 to June 13, 2024
Cash flows used in operating activities:	
Net loss	\$ (767,202)
Adjustments to reconcile net loss to net cash used in operations:	
Depreciation	13,458
Changes in operating assets and liabilities:	
Accounts receivable	(143,895)
Accounts payable	86,908
Accrued expenses	32,545
Net cash used in operating activities	(778,186)
Cash flows used in investing activities	-
Cash flows provided by financing activities:	
Proceeds from note payable and loans from Parent	782,681
Net cash provided by financing activities	782,681
Net change in cash	4,495
Cash at beginning of period	1,262
Cash at end of period	\$ 5,757
Supplemental Disclosure of Cash Flow Information:	
Cash paid for interest	\$ -
Cash paid for income taxes	\$ -

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

MYRTLE RECOVERY CENTERS, INC.
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS
For the Period January 1 to June 13, 2024

Note 1 – Formation and Basis of Presentation

Formation

On June 8, 2022, Rennova Health, Inc. and its subsidiaries (“RHI” or “Parent”) founded its subsidiary, Myrtle Recovery Centers, Inc. (“Myrtle”), a Tennessee corporation, to pursue opportunities in the behavioral health sector, initially in rural markets. Myrtle is leveraging RHI’s existing physical locations and corporate and regional infrastructure to offer behavioral health services, including substance abuse treatment, with plans to duplicate the model in different locations. Services are provided on either an inpatient, residential basis or an outpatient basis.

On April 11, 2023, Myrtle sold shares of its common stock equivalent to a 1.961% ownership stake in Myrtle for de minimis value to an unaffiliated individual licensed as a physician in Tennessee. The shares have certain transfer restrictions, including the right of the subsidiary to transfer the shares to another physician licensed in Tennessee for de minimis value. The shares were sold to the individual for Tennessee healthcare regulatory reasons.

On August 10, 2023, Myrtle was granted a license by the Department of Mental Health and Substance Abuse Services of Tennessee to operate an alcohol and drug treatment facility in Oneida, Tennessee. The facility, which is located at RHI’s Big South Fork Medical Center campus in Onida, Tennessee, commenced operations and began accepting patients on August 14, 2023. The facility offers alcohol and drug residential detoxification and residential rehabilitation treatment services for up to 30 patients. On November 1, 2023, Myrtle began accepting patients at its Nonresidential Office-Based Opiate Treatment Facility (“OBOT”). The OBOT is located adjacent to Myrtle’s alcohol and drug treatment facility in Oneida, Tennessee and supplements the existing residential rehabilitation and detoxification services offered at Myrtle.

Recent Event

On June 10, 2024, Myrtle and RHI entered into an agreement with FOXO Technology Inc. (“FOXO”) wherein RHI agreed to exchange all of its equity interest in Myrtle for \$0.5 million payable in shares of FOXO’s Class A Common Stock and a note payable due on demand, subject to certain post-closing adjustments (the “Transaction”). The Transaction closed effective June 14, 2024. On June 25, 2024, FOXO and RHI agreed under the terms of a consent and waiver that in the event that the New York Stock Exchange (“NYSE”) determines that the total number of FOXO Class A Common Stock payable under the Transaction cannot be issued prior to receipt of approval by FOXO’s shareholders, FOXO agreed to issue the maximum number of shares permissible by NYSE and to provide a note for the balance payable that can be paid by FOXO in cash at any time or in FOXO shares upon receipt of the required approvals. Accordingly, on July 17, 2024, FOXO issued to RHI 1.0 million shares of its Class A Common Stock and a note payable in the amount of \$0.3 million.

Basis of Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and require management to make certain judgments, estimates, and assumptions. These may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. They also may affect the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates upon subsequent resolution of identified matters. These unaudited condensed financial statements should be read in conjunction with Myrtle’s audited annual financial statements and notes thereto.

The financials statements include assets and liabilities of Myrtle. All significant intercompany transactions between Myrtle and Parent have been included within the caption “Loans from Parent” on the Balance Sheets and Cash Flow Statements and all external debt of RHI not directly attributable to Myrtle has been excluded from the Balance Sheets of Myrtle. See the discussion of charges made by RHI to Myrtle in the paragraph below.

Cost Allocations and Charges

During the period January 1 to June 13, 2024, RHI charged Myrtle for rent and hoteling expenses in connection with Myrtle’s use of and physical location on RHI’s Big South Fork Medical Center’s campus and RHI charged Myrtle management fees to cover various corporate costs incurred in the operation of Myrtle’s business. However, the financial statements of Myrtle do not reflect the actual expenses that would have been incurred and do not reflect Myrtle’s results of operations, financial position and cash flows had Myrtle been a standalone company during the periods presented. Actual costs that would have been incurred if Myrtle had been a standalone company would depend on multiple factors, including organizational structure, capital structure, and strategic decisions made in various areas, including information technology and infrastructure. Transactions among Myrtle and RHI have been included as related party transactions in the financial statements. The total net effect of these transactions is reflected in the Statement of Cash Flows as a financing activity and on the Balance Sheet as “Loans from Parent.” See Note 5.

On June 1, 2024, Myrtle and RHI entered into a management agreement as more fully discussed in Note 5 and on June 14, 2023, Myrtle and RHI entered into a lease agreement as more fully discussed in Note 8.

Comprehensive Loss

During the period January 1 to June 13, 2024, comprehensive loss was equal to the net loss amounts presented in the Statement of Operations.

Going Concern

Under Accounting Standards Codification (“ASC”) 205-40, Presentation of Financial Statements—Going Concern, Myrtle has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. As required by ASC 205-40, this evaluation shall initially not take into consideration the potential mitigating effects of plans that have not been fully implemented as of the date the financial statements are issued. Management has assessed Myrtle’s ability to continue as a going concern in accordance with the requirement of ASC 205-40.

The accompanying financial statements have been prepared in accordance with U.S. GAAP. The financial statements have been prepared using U.S. GAAP applicable to a going concern that contemplates the realization of assets and liquidation of liabilities in the normal course of business. Myrtle has accumulated losses and has negative cash flows from operations and, at June 13, 2024, had a working capital deficit and accumulated deficit of \$2.1 million and \$1.9 million, respectively. In addition, Myrtle’s cash position is critically deficient. All of this raises substantial doubt about Myrtle’s ability to continue as a going concern.

Management’s plans with respect to Myrtle’s ability to continue as a going concern are as follows: As discussed in Notes 1 and 8, effective June 14, 2024, RHI exchanged all of its equity interest in Myrtle for \$0.5 million payable in shares of FOXO’s Class A Common Stock and a note, subject to certain post-closing adjustments. The sale is intended, among other things, to: (1) result in improved business and operational decision-making and greater strategic and management focus for Myrtle; (2) improve the ability of Myrtle to expand its business locations and to attract, retain and incentivize employees; and (3) improve access to capital to funds its expansion.

There can be no assurance that Myrtle will be able to achieve its business plan, raise any additional capital or secure the additional financing necessary to implement its current operating and expansion plans. The ability of Myrtle to continue as a going concern is dependent upon its ability to significantly increase its revenues and achieve profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if Myrtle is unable to continue as a going concern.

Note 2 – Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant areas of estimation include contractual allowances, allowances for doubtful accounts, impairment of assets and rates for depreciation and amortization, accrued and contingent liabilities, and future income tax obligations (benefits), among other items. Actual results could differ from those estimates and would impact future results of operations and cash flows.

Cash and Cash Equivalents

Myrtle considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

Myrtle recognizes revenue in accordance with ASC, “*Revenue from Contracts with Customers (Topic 606)*,” including subsequently issued updates. Myrtle’s revenues relate to contracts with patients in which its performance obligations are to provide behavioral healthcare services to its patients. Revenues are recorded when charges are entered into the Company’s billing system which approximates the period its obligations to provide healthcare services are satisfied, subject to certain retrospective billing adjustments. Myrtle’s performance obligations for inpatient services are generally satisfied over periods averaging approximately 7 to 28 days depending on the service line, and revenues are recognized based on charges incurred. The contractual relationships with patients, in most cases, also involve third-party payers and the transaction prices for the services provided are dependent upon the terms provided or negotiated with the third-party payers. The payment arrangements with third-party payers for the services Myrtle provides to its patients typically specify payments at amounts less than its standard charges. Services provided to patients are generally paid at prospectively determined rates per diem. Management continually reviews the contractual estimation process to consider the frequent changes in managed care contractual terms resulting from contract negotiations. Under the revenue recognition accounting guidance, revenues are presented net of estimated contractual allowances and estimated implicit price concessions. Myrtle’s net revenues are based upon the estimated amounts it expects to be entitled to receive from third-party payers and patients based, in part, on Tennessee Medicaid rates.

The collection of outstanding receivables is Myrtle’s primary source of operating cash and is critical to its operating performance. The primary collection risks relate to patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. Implicit price concessions relate primarily to amounts due directly from patients. Accounts are written off when all reasonable internal and external collection efforts have been carried out. The estimates for implicit price concessions are based upon management’s assessment of historical write offs and expected net collections, business and economic conditions and other collection indicators.

Contractual Allowances and Doubtful Accounts Policy

Per the accounting guidance, Myrtle does not present “allowances for doubtful accounts” on its balance sheets, rather its accounts receivable is reported at realizable value, net of estimated contractual allowances and estimated implicit price concessions (also referred to as doubtful accounts). Historical collection and payer reimbursement experience is an integral part of the estimation process related to contractual allowances and doubtful accounts. Receivables deemed to be uncollectible are charged against the allowance for doubtful accounts at the time such receivables are written-off. Recoveries of receivables previously written-off are recorded as credits to the allowance for doubtful accounts. Revisions to the allowances for doubtful accounts are recorded as adjustments to revenues.

During the period January 1 to June 13, 2024, estimated contractual allowances and implicit price concessions of \$1.6 million have been recorded as reductions to Myrtle’s revenues and accounts receivable balances to enable it to record its revenues and accounts receivable at the estimated amounts it expects to collect. As required by Topic 606, after estimated implicit price concessions and contractual and related allowance adjustments to revenues of \$1.9 million for the period January 1 to June 13, 2024, Myrtle reported net revenues of \$0.3 million. Myrtle continues to review the provisions for implicit price concessions and contractual allowances. See Note 3.

Impairment or Disposal of Long-Lived Assets

Myrtle accounts for the impairment or disposal of long-lived assets according to the Financial Accounting Standards Board (“FASB”) ASC 360, “*Property, Plant and Equipment*.” Long-lived assets are reviewed when facts and circumstances indicate that the carrying value of the asset may not be recoverable. When necessary, impaired assets are written down to estimated fair value based on the best information available. Estimated fair value is generally based on either appraised value or measured by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from such estimates. Myrtle did not record asset impairment charges during the period January 1 to June 13, 2024.

Fair Value of Financial Instruments

In accordance with ASC 820, “*Fair Value Measurements and Disclosures*,” Myrtle applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, Myrtle considers the principal or most advantageous market in which it would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities that Myrtle has the ability to access at the measurement date.
- Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets; or quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets).
- Level 3 applies to assets or liabilities for which fair value is derived from valuation techniques in which one or more significant inputs are unobservable, including Myrtle’s own assumptions.

At June 13, 2024, the carrying value of Myrtle’s accounts receivable, accounts payable and accrued expenses approximated their fair values due to their short-term natures. At June 13, 2024, the carrying value of Myrtle’s property and equipment represented their fair values.

Note 3 – Accounts Receivable

Accounts receivable at June 13, 2024 consisted of the following (unaudited):

	June 13, 2024
Accounts receivable	\$ 1,639,640
Less:	
Contractual allowances	(1,356,327)
Allowance for doubtful accounts	-
Accounts receivable, net	<u>\$ 283,313</u>

For the period January 1 to June 13, 2024, Myrtle did not incur bad debt recovery/(expense) and, therefore, there was no adjustment to revenues for bad debt recovery/(expense) in the period presented.

Note 4 – Property and Equipment

Property and equipment at June 13, 2024 consisted of the following (unaudited):

	June 13, 2024
Leasehold improvements	\$ 142,960
Furniture and equipment	84,699
Medical equipment	6,500
Software	7,775
	<u>241,934</u>
Less accumulated depreciation	(20,889)
Property and equipment, net	<u>\$ 221,045</u>

Property and equipment are depreciated on a straight-line basis over their respective lives. Leasehold improvements are being depreciated over ten years and furniture and equipment, medical equipment and software are being depreciated over lives ranging from one to seven years. Depreciation expense on property and equipment was \$13,458 for the period January 1 to June 13, 2024. Management periodically reviews the valuation of property and equipment, for potential impairment. Management did not recognize any impairment of these assets during the period January 1 to June 13, 2024.

Note 5 – Note Payable and Loans from Parent

To fund its operations, Myrtle has relied on non-interest bearing loans from Parent. The loans totaled \$0.5 million as of June 13, 2024. The loans are reflected on the Balance Sheet in the caption, “Loans from Parent.” On June 13, 2024, Myrtle issued a promissory note to Parent in the principal amount of \$1.6 million to formalize a portion of the loans from Parent that were outstanding on that date. The promissory note is non-interest bearing, except if not paid by the maturity date of December 31, 2024, in which case the note will bear interest at 18% per annum. Under the terms of the Transaction, Myrtle will continue to owe these amounts to Parent. The Transaction is more fully discussed in Notes 1 and 8.

Related Party Charges

RHI charged Myrtle rent for use of RHI's Big South Fork Medical Center campus and it charged hoteling expenses for ancillary services that it provides. These expenses, which are included in general and administrative expenses on the Statement of Operations, are as follows (unaudited):

	January 1 to June 13, 2024
Rent expense	\$ 180,167
Hoteling expenses	31,255
Management fees	66,500
Total related party charges	\$ 277,922

Management Agreement

On June 1, 2024, Myrtle and RHI entered into a management agreement wherein RHI agreed to provide management and consulting services to Myrtle for a management fee of \$15,000 per month. The agreement can be terminated by either party at any time without cause on thirty days written notice to the other party.

Lease Agreement

On June 14, 2024, Myrtle entered into a lease agreement with RHI. The lease agreement is more fully discussed in Note 8.

Note 6— Commitments and Contingencies

Concentration of Credit Risk

Credit risk with respect to accounts receivable is generally lower due to the nature of the customers comprising the customer base. Myrtle continually monitors and evaluates its client acceptance and collection procedures to minimize potential credit risks associated with its accounts receivable and establishes an allowance for uncollectible accounts and, as a consequence, believes that its accounts receivable credit risk exposure beyond such allowance is not material to the financial statements.

Myrtle maintains its cash balances in high-credit-quality financial institutions. Myrtle expects that its cash balances may, at times in the future, exceed the deposit insurance limits provided by the Federal Deposit Insurance Corp., Inc.

Legal Matters

From time to time, Myrtle may be involved in a variety of claims, lawsuits, investigations and proceedings related to contractual disputes, employment matters, regulatory and compliance matters, intellectual property rights and other litigation arising in the ordinary course of business. Myrtle's policy is to expense legal fees and expenses incurred in connection with legal proceedings in the period in which the expense is incurred. Myrtle operates in a highly regulated industry which may inherently lend itself to legal matters. Management is aware that litigation has associated costs and that results of adverse litigation verdicts could have a material effect on Myrtle's financial position or results of operations. Management, in consultation with legal counsel, has determined that there are no known legal matters affecting Myrtle presently outstanding.

Note 7 – Recent Accounting Pronouncements

In December 2023, the FASB issued Accounting Standards Update ("ASU") 2023-09, *Improvements to Income Tax Disclosures*, which requires enhanced annual disclosures for specific categories in the rate reconciliation and income taxes paid disaggregated by federal, state and foreign taxes. ASU 2023-09 is effective for Myrtle for annual periods beginning after December 15, 2025. Myrtle plans to adopt ASU 2023-09 effective January 1, 2026 applying a retrospective approach to all prior periods presented in the financial statements. Myrtle expects the adoption of this ASU to enhance its income tax disclosures.

Other pronouncements issued by the FASB with future effective dates are either not applicable or are not expected to have a material impact on the Myrtles' financial position, results of operations or cash flows.

Note 8 – Subsequent Events

Lease Agreement

Myrtle entered into a formal lease agreement with RHI under which Myrtle agreed to lease facilities at RHI's Big South Fork Medical Center campus beginning on June 14, 2024 for a term of one year with five annual options to renew for an additional year with an initial monthly base rental amount of \$35,000 and annual rent increases equal to the greater of 3% and the consumer price index.

Exchange of RHI's Equity Interest in Myrtle for FOXO Technologies Inc.'s Class A Common Stock/Note Payable

In connection with the Transaction with FOXO, which is more fully discussed in Note 1, on July 17, 2024, FOXO issued to RHI 1.0 million shares of its Class A Common Stock and a note payable in the amount of \$0.3 million.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS DATA
For the Six Months Ended June 30, 2024
(In thousands, except per share amounts)

	FOXO Technologies Inc. Historical Six Months Ended June 30, 2024	Myrtle Recovery Centers, Inc. Historical Period January 1 to June 13, 2024	Pro Forma Adjustments	Pro Forma Combined Six Months Ended June 30, 2024 (A)
Net revenues	\$ 35	\$ 281	\$ -	\$ 316
Operating expenses:				-
Direct costs of revenues	31	263	-	294
Research and development	269	-	-	269
Management contingent share plan	41	-	-	41
Selling, general and administrative expenses	2,462	785	-	3,247
Total operating expenses	2,803	1,048	-	3,851
Loss before other income (expense)	(2,768)	(767)	-	(3,535)
Other income (expense):				
Change in fair value of warrant liabilities	8	-	-	8
Interest expense	(843)	-	-	(843)
Other expense	(65)	-	-	(65)
Total other income (expense), net	(900)	-	-	(900)
Net loss before income taxes	(3,668)	(767)	-	(4,435)
Provision for income taxes	-	-	-	-
Net loss	(3,668)	(767)	-	(4,435)
Net loss attributable to noncontrolling interest of Myrtle	1		15 (B)	16
Net loss attributable to FOXO	(3,667)	(767)	15	(4,419)
Deemed dividends	(966)	-	-	(966)
Net loss available to common stockholders	\$ (4,633)	\$ (767)	\$ 15	\$ (5,401)
Net loss per share of common stock available to common stockholders- basic and diluted	\$ (0.48)	\$ -	\$ -	\$ (0.51)
Weighted average number of shares of common stock outstanding during the period - basic and diluted (D)	9,629	-	1,024 (C)	10,653

PRO FORMA ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2024 ARE AS FOLLOWS:

- (A) The Myrtle transaction, which closed on June 14, 2024, is accounted for under Accounting Standards Codification Topic 805, Business Combinations. Based on the preliminary purchase price allocation, the excess of the fair value of Myrtle's assets and liabilities is goodwill of \$2,369. FOXO will prepare a definitive purchase price valuation no later than one year from the date of acquisition, which may result in an increase or decrease in goodwill. In accordance with the Business Combination Topic of the Codification, Section 80-30, goodwill is not amortized, but will be tested for impairment at least annually. Therefore, the pro formas do not include an adjustment for amortization of intangible assets.
- (B) Represents the noncontrolling interest in the loss of Myrtle for the period January 1 to June 13, 2024.
- (C) Adjusts the number of shares of FOXO Class A Common Stock outstanding during the period per the terms of the acquisition. The shares were issued to RHI on July 17, 2024.
- (D) The diluted potential common shares were not included in the computation of diluted loss per share because to do so would have been anti-dilutive.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS DATA
For the Year Ended December 31, 2023
(In thousands, except per share amounts)

	FOXO Technologies Inc. Historical Year Ended December 31, 2023	Myrtle Recovery Centers, Inc. Historical Year Ended December 31, 2023	Pro Forma Adjustments	Pro Forma Combined Year Ended December 31, 2023 (A)
Net revenues	\$ 145	\$ 140	\$ -	\$ 285
Operating expenses:				-
Direct costs of revenues	132	258	-	390
Research and development	901	-	-	901
Management contingent share plan	(732)	-	-	(732)
Impairments of intangible assets	2,633	-	-	2,633
Selling, general and administrative expenses	19,399	968	-	20,367
Total operating expenses	<u>22,333</u>	<u>1,226</u>	<u>-</u>	<u>23,559</u>
Loss before other income (expense), net	(22,188)	(1,086)	-	(23,274)
Other income (expense):				
Change in fair value of warrant liabilities	303	-	-	303
Loss from PIK Note Amendment and 2022 Debenture Release	(3,521)	-	-	(3,521)
Interest expense	(1,064)	-	-	(1,064)
Other income, net	19	-	-	19
Total other income (expense), net	<u>(4,263)</u>	<u>-</u>	<u>-</u>	<u>(4,263)</u>
Net loss before income taxes	(26,451)	(1,086)	-	(27,537)
Provision for income taxes	-	-	-	-
Net loss	(26,451)	(1,086)	-	(27,537)
Net loss attributable to noncontrolling interest of Myrtle	-	-	21 (B)	21
Net loss attributable to FOXO	(26,451)	(1,086)	21	(27,516)
Deemed dividends	(3,378)	-	-	(3,378)
Net loss available to common stockholders	<u>\$ (29,829)</u>	<u>\$ (1,086)</u>	<u>\$ 21</u>	<u>\$ (30,915)</u>
Net loss per share of common stock available to common stockholders- basic and diluted	<u>\$ (7.08)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5.90)</u>
Weighted average number of shares of common stock outstanding during the period - basic and diluted (D)	<u>4,216</u>	<u>-</u>	<u>1,024 (C)</u>	<u>5,240</u>

PRO FORMA ADJUSTMENTS FOR THE UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2023 ARE AS FOLLOWS:

- (A) The Myrtle transaction which closed on June 14, 2024, is accounted for under Accounting Standards Codification Topic 805, Business Combinations. Based on the preliminary purchase price allocation, the excess of the fair value of Myrtle's assets and liabilities is goodwill of \$2,369. FOXO will prepare a definitive purchase price valuation no later than one year from the date of acquisition, which may result in an increase or decrease in goodwill. In accordance with the Business Combination Topic of the Codification, Section 80-30, goodwill is not amortized, but will be tested for impairment at least annually. Therefore, the pro formas do not include an adjustment for amortization of intangible assets.
- (B) Represents the noncontrolling interest in the loss of Myrtle for the year ended December 31, 2023.
- (C) Adjusts the number of shares of FOXO Class A Common Stock outstanding during the period per the terms of the acquisition. The shares were issued to RHI on July 17, 2024.
- (D) The diluted potential common shares were not included in the computation of diluted loss per share because to do so would have been anti-dilutive