

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

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

Date of Report (Date Earliest Event Reported): September 10, 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) 800-0059 (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 (“**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 September 12, 2024 (the “**Original Form 8-K**”) in connection with the completion of the acquisition of Rennova Community Health, Inc. (“**RCHI**”). 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, the Company entered into the Stock Exchange Agreement (the “**RCHI SEA**”) with Rennova Community Health, Inc. (“**RCHI**”) and Rennova Health Inc. (“**RHI**”). On September 10, 2024, the Company entered into the Amended and Restated Stock Exchange Agreement with RCHI and RHI (the “**RCHI SEA Amendment**”) pursuant to which the RCHI SEA was amended to change the consideration to be received by RHI in exchange for all of the equity interests of RCHI from 20,000 shares of Series A Preferred Stock of the Company to \$100. In addition, under the RCHI SEA Amendment, RCHI issued to RHI a senior note in the principal amount of \$22,000,000 (subject to adjustments) (the “**Senior Note**”), which is secured by all of the assets of RCHI and its wholly-owned subsidiary, Scott County Community Health, Inc. (“**SCCH**”), under the Security and Pledge Agreement dated September 10, 2024 by, between, and among RHI, RCHI, and SCCH (the “**Subsidiary Security Agreement**”), with the Company and SCCH providing a guaranty on the Senior Note pursuant to the Guaranty Agreement dated September 10, 2024 (the “**Guaranty Agreement**”) and with the Company providing a security interest in the “Collateral,” as defined in the Security and Pledge Agreement dated September 10, 2024 (the “**Security Agreement**”) with RHI.

The Senior Note matures on September 10, 2026 and accrues interest on any outstanding principal amount at an interest rate of 8% per annum for the first six months increasing to 12% per annum after six months until maturity. After maturity, the default interest rate will be 20% per annum until the Senior Note is paid in full. The Senior Note requires principal repayments equal to 10% of the free cash flow (net cash from operations less capital expenditures) from RCHI and SCCH. Payments will be one month in arrears. The Senior Note will be reduced by payment of 25% of any net proceeds from equity capital raised by the Company.

SCCH, doing business as Big South Fork Medical Center (“BSF”), is a critical access care hospital located in Oneida, Tennessee consisting of a 52,000-square foot hospital building and 6,300-square foot professional building on approximately 4.3 acres. BSF has 25 inpatient beds, a 24/7 emergency department and provides ancillary services, including laboratory, radiology, respiratory and pharmacy services. The hospital became operational on August 8, 2017 and it became certified as a critical access hospital (rural) in December 2021, retroactive to June 30, 2021.

FOXO acquired RCHI as a synergistic opportunity to expand its operations in the healthcare sector and as a complement to its behavioral health offering, Myrtle Recovery Centers, Inc.’s (“**Myrtle’s**”), substance abuse treatment center on the campus of BSF, and its epigenetic biomarkers of human health, wellness and aging.

Costs associated with the transaction consisted of the RCHI’s purchase price of \$22,000,100 and an estimated \$5,000 for legal fees. No closing or other costs were subsequently identified and recorded. There were approximately \$14,351,322 of accounts payable, accrued expenses, right-of-use lease liability and a note payable that were assumed as part of the transaction. The acquisition is more fully described in Note 5 to the Company’s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 19, 2024.

The summary of the Senior Note, the RCHI SEA Amendment, the Guaranty Agreement, the Security Agreement and the Subsidiary Security Agreement set forth above do not purport to be complete and are qualified in their entirety by reference to the full text of the Senior Note, the RCHI SEA Amendment, the Guaranty Agreement, the Security Agreement, the Subsidiary Security Agreement, which were filed as Exhibits 4.1, 99.1, 99.2, 99.3 and 99.4, respectively, to the Original 8-K and are incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

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

Exhibit 99.6 – Audited Financial Statements of RCHI and SCCH, including independent auditor’s report, as of December 31, 2023 and 2022 and for the years ended December 31, 2023 and 2022.

Exhibit 99.7 – Unaudited Condensed Combined Financial Statements of RCHI and SCCH as of September 10, 2024 and for the period January 1, 2024 to September 10, 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 99.8 – Unaudited pro forma statements of operations and explanatory notes for FOXO for the nine months ended September 30, 2024 and for the year ended December 31, 2023.

(c) Not applicable.

(d) Exhibits.

Exhibit No.	Exhibit Description
4.1*	<u>Senior Note issued by Rennova Community Health, Inc. to and Rennova Health, Inc. on September 10, 2024.</u>
99.1*	<u>Amended and Restated Stock Exchange Agreement dated September 10, 2024 with Rennova Community Health, Inc. and Rennova Health, Inc.</u>
99.2*	<u>Guaranty Agreement dated September 10, 2024 with Scott County Community Hospital, Inc. and Rennova Health, Inc.</u>
99.3*	<u>Security and Pledge Agreement dated September 10, 2024 with Rennova Health, Inc.</u>
99.4*	<u>Security and Pledge Agreement dated September 10, 2024 by, between and among with Rennova Health, Inc. Rennova Community Health, Inc. and Scott County Community Health, Inc.</u>
99.5	<u>Audited Financial Statements of Rennova Community Health, Inc. and Scott County Community Health, Inc. for the years ended December 31, 2023 and 2022.</u>
99.6	<u>Unaudited Condensed Combined Financial Statements of Rennova Community Health, Inc. and Scott County Community Health, Inc. as of September 10, 2024 and for the period January 1, 2024 to September 10, 2024.</u>
99.7	<u>Unaudited pro forma condensed combined statements of operations and explanatory notes for the nine months ended September 10, 2024 and for the year ended December 31, 2023.</u>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Previously filed with the Original Form 8-K filed on September 12, 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: November 25, 2024

By: /s/ Mark White

Name: Mark White

Title: Interim Chief Executive Officer

RCHI GROUP
COMBINED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Rennova Community Health, Inc.

Opinion on the Financial Statements

We have audited the accompanying combined balance sheets of Rennova Community Health, Inc. (the Company) as of December 31, 2023 and 2022, and the related combined statements of operations, stockholder's deficit, and cash flows for the years ended December 31, 2023 and 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 each of the years in the two-year period ended December 31, 2023, 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

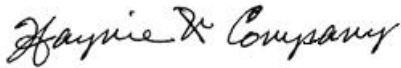
The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has working capital deficits, accumulated deficit balances, certain debt instruments in payment default, deficient cash and payments for its operations not being made in a timely manner. 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 2. 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
November 25, 2024

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

PCAOB # 0457

RCHI GROUP
COMBINED BALANCE SHEETS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
ASSETS		
Current assets:		
Cash	\$ 23,015	\$ 65,432
Accounts receivable, net	2,940,383	3,061,041
Inventory	194,334	235,929
Prepaid expenses and other current assets	43,122	119,410
Total current assets	3,200,854	3,481,812
Property and equipment, net	216,759	1,275,419
Right-of-use asset	-	35,990
Deposits	54,559	55,505
Total assets	\$ 3,472,172	\$ 4,848,726
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current liabilities:		
Accounts payable	\$ 2,808,360	\$ 2,187,485
Accrued expenses	7,184,008	7,257,755
Note payable	623,832	936,415
Right-of-use obligation	-	35,990
Loans from Parent	21,145,197	29,117,087
Total liabilities	31,761,397	39,534,732
Commitments and contingencies (Note 9)		
Stockholder's deficit:		
Common stock, \$0.01 par value, 100 shares authorized, 100 and 100 shares issued and outstanding, respectively	1	1
Additional paid-in-capital	99	99
Accumulated deficit	(28,289,325)	(34,686,106)
Total stockholder's deficit	(28,289,225)	(34,686,006)
Total liabilities and stockholder's deficit	\$ 3,472,172	\$ 4,848,726

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

RCHI GROUP
COMBINED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2023	2022
Net revenues	\$ 18,545,770	\$ 12,880,714
Operating expenses:		
Direct costs of revenues	7,074,306	6,586,328
General and administrative expenses	5,454,408	4,196,296
Depreciation and amortization	128,835	170,187
Total operating expenses	12,657,549	10,952,811
Income before other income		
(expense) and income taxes	5,888,221	1,927,903
Other income (expense):		
Other income, net	605,713	425,917
Gain from forgiveness of debt	50,888	-
(Loss) gain from legal settlement	(9,467)	545,465
Interest expense	(138,574)	(194,577)
Total other income, net	508,560	776,805
Net income before income taxes	6,396,781	2,704,708
Provision for income taxes	-	-
Net income	\$ 6,396,781	\$ 2,704,708

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

RCHI GROUP
COMBINED STATEMENTS OF STOCKHOLDER'S DEFICIT
For the Years Ended December 31, 2023 and 2022

	Common Stock		Additional paid-in capital	Accumulated Deficit	Stockholder's Deficit
	Shares	Amount			
Balance at December 31, 2021	100	\$ 1	\$ 99	\$ (37,390,814)	\$ (37,390,714)
Net income	-	-	-	2,704,708	2,704,708
Balance at December 31, 2022	100	1	99	(34,686,106)	(34,686,006)
Net income	-	-	-	6,396,781	6,396,781
Balance at December 31, 2023	100	\$ 1	\$ 99	\$ (28,289,325)	\$ (28,289,225)

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

RCHI GROUP
COMBINED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 6,396,781	\$ 2,704,708
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	128,835	170,187
Net gain (loss) from legal settlements	9,467	(545,465)
Gain on forgiveness of debt	(50,888)	-
Income from federal government provider relief funds	(285,572)	(863,450)
Changes in operating assets and liabilities:		
Accounts receivable	120,658	(332,225)
Inventory	41,595	41,405
Prepaid expenses and other current assets	76,288	(105,601)
Security deposits	946	-
Change in right-of-use assets	35,990	64,120
Accounts payable	620,875	671,630
Accrued expenses	202,358	2,938,445
Change in right-of-use operating lease obligations	(35,990)	(64,120)
Net cash provided by operating activities	7,261,343	4,679,634
Cash flows from investing activities:		
Capital expenditures	(102,327)	(33,580)
Net cash used in investing activities	(102,327)	(33,580)
Cash flows from financing activities:		
Payments of loans from Parent	(6,939,738)	(4,390,219)
Payments on note payable	(261,695)	(512,592)
Proceeds from federal government provider relief funds	-	284,339
Net cash used in financing activities	(7,201,433)	(4,618,472)
Net change in cash	(42,417)	27,582
Cash at beginning of period	65,432	37,850
Cash at end of period	\$ 23,015	\$ 65,432

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

RCHI GROUP
NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2023 and 2022

Note 1 – Basis of Presentation

Rennova Community Health, Inc. (“RCHI”), a Florida corporation, and Scott County Community Hospital, Inc. (“SCCH”), a Tennessee corporation, are referred to herein as the RCHI Group. The RCHI Group is owned by Rennova Health, Inc. (“RHI”) or when including RHI’s subsidiaries (“Parent”) . During the year ended December 31, 2023, RCHI acquired all the outstanding shares of SCCH. SCCH operates as Big South Fork Medical Center (“BSF”).

BSF is a critical access care hospital located in Oneida, Tennessee consisting of a 52,000-square foot hospital building and 6,300-square foot professional building on approximately 4.3 acres. BSF has 25 inpatient beds, a 24/7 emergency department and provides ancillary services, including laboratory, radiology, respiratory and pharmacy services. The hospital became operational on August 8, 2017 and it became certified as a Critical Access Hospital (rural) hospital in December 2021, retroactive to June 30, 2021. As more fully discussed in Note 11, the hospital was leased from an affiliate of RHI in 2024.

Stock Exchange Agreement and Amended and Restated Stock Exchange Agreement with FOXO Technologies Inc.

On June 10, 2024, RHI and RCHI entered into the Stock Exchange Agreement (the “RCHI SEA”) with FOXO Technologies Inc. (“FOXO”), wherein RHI agreed to exchange all of its equity interest in RCHI for FOXO preferred stock. On September 10, 2024, RHI and RCHI entered into the Amended and Restated Stock Exchange Agreement with FOXO (the “Amendment”) under which RHI will exchange all of its equity interest in RCHI with FOXO for consideration of \$100 and RCHI will issue a promissory note (the “Note”) to RHI in the amount of \$22 million, subject to certain adjustments. The RCHI SEA, the Amendment and Note are more fully discussed in Note 11.

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 the RCHI Group. All significant intercompany transactions between RCHI and SCCH have been eliminated and intercompany transactions between the RCHI Group and Parent have been included within the caption “Loans to Parent” on the Balance Sheets and Cash Flow Statements and all external debt of RHI not directly attributable to the RCHI Group has been excluded from the Balance Sheets of the RCHI Group.

Comprehensive Income

During the years ended December 31, 2023 and 2022, comprehensive income was equal to the net income amounts presented in the Statements of Operations.

Note 2 – Going Concern

Under ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) (“Accounting Standards Codification (“ASC”) 205-40”), the RCHI Group 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 the RCHI Group’s ability to continue as a going concern in accordance with the requirement of ASC 205-40.

As reflected in the combined financial statements, the RCHI Group had a working capital deficit and an accumulated deficit at December 31, 2023. Although the RCHI Group had net income from operations and positive cash flows from operating activities for the year ending December 31, 2023, certain of its debt instruments are in payment default, its cash is deficient and payments for its operations in the ordinary course are not being made in a timely manner. In 2023, some monies were used to repay parent-level obligations and while performance in 2023 was more robust than in 2022, much of the improved performance was due to one-time effects of collections from retroactive billing activity related to critical access designation at the hospital.

The RCHI Group in the past has secured a range of capital from government sources related to COVID-19. In particular, it received potentially forgivable loans and grants from the PPP Loan Program and the CAREs Act, respectively. The RCHI Group does not assume continued funding from such programs.

BSF received its Critical Asset Hospital designation in 2021 (retroactive to June 30, 2021). The RCHI Group experienced increased net revenues and collections in 2022 and 2023 that allowed it to: (i) resolve certain third-party debt disputes, (ii) resolve certain litigation claims, (iii) repay certain parent-level intercompany debt and (v) better manage vendors. However, certain overpayments by Medicare (and other payors) need to be refunded (either through recoupments or via agreed-upon payment plans).

On September 10, 2024, Rennova Health, Inc. sold the RCHI Group to FOXO Technologies Inc. for \$100 and a \$22 million note.

There can be no assurance that the RCHI Group will be able to achieve its business plan and/or raise any additional capital necessary to implement its plans. The ability of the RCHI Group to continue as a going concern is dependent upon its ability to raise adequate capital to fund its operations and repay its outstanding debt and other past due obligations, fully align its operating costs, increase its net revenues and collections, and regain consistently profitable operations. The RCHI Group's combined financial statements are prepared assuming it can continue as a going concern, which contemplates continuity of operations through realization of assets, and the settling of liabilities in the normal course of business. Furthermore, the accompanying combined financial statements do not include any adjustments that might be necessary if the RCHI Group is unable to continue as a going concern

Note 3 – 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), among other items. Actual results could differ from those estimates and would impact future results of operations and cash flows.

Cash and Cash Equivalents

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

Revenue Recognition

The RCHI Group recognizes revenue in accordance with Accounting Standard Codification ("ASC"), "*Revenue from Contracts with Customers (Topic 606)*," including subsequently issued updates. Under the accounting guidance, revenues are presented net of estimated contractual allowances and estimated implicit price concessions. The RCHI Group also does not present "allowances for doubtful accounts" on its balance sheets.

The RCHI Group's revenues relate to contracts with patients in which its performance obligations are to provide health care services to the patients. Revenues are recorded during the period its obligations to provide health care services are satisfied. Its performance obligations for inpatient services are generally satisfied over periods averaging approximately three days, and revenues are recognized based on charges incurred. Its performance obligations for outpatient services, including emergency room-related services, are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payer (Medicare, Medicaid, managed care health plans and commercial insurance companies) and the transaction prices for the services provided are dependent upon the terms provided by (Medicare and Medicaid) or negotiated with (managed care health plans and commercial insurance companies) the third-party payers. The payment arrangements with third-party payers for the services it provides to the related patients typically specify payments at amounts less than our standard charges. Medicare, because of the BSF's designation as a Critical Access Hospital, generally pays for inpatient and outpatient services at rates related to the hospital's costs. Services provided to patients having Medicaid coverage are generally paid at prospectively determined rates per discharge, per identified service or per covered member. Agreements with commercial insurance carriers, managed care and preferred provider organizations generally provide for payments based upon predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals. The RCHI Group's net revenues are based upon the estimated amounts it expects to be entitled to receive from patients and third-party payers. Estimates of contractual allowances under managed care and commercial insurance plans are based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts). The RCHI Group also records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts it expects to collect.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined (in relation to certain government programs, primarily Medicare, this is generally referred to as the “cost report” filing and settlement process). As of December 31, 2023 and 2022, \$2.3 million and \$2.1 million of Medicare cost report settlement reserves were recorded as liabilities on the Balance Sheets, respectively, as more fully discussed in Note 6.

The collection of outstanding receivables for Medicare, Medicaid, managed care payers, other third-party payers and patients is the RCHI Group’s primary source of operating cash and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts, including 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. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed. The estimates for implicit price concessions are based upon management’s assessment of historical write offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections of the RCHI Group’s revenues and accounts receivable (the “hindsight analysis”) as a primary source of information in estimating the collectability of its accounts receivable.

Contractual Allowances and Doubtful Accounts Policy

Accounts receivable are reported at realizable value, net of estimated contractual allowances and estimated implicit price concessions (also referred to as doubtful accounts), which are estimated and recorded in the period the related revenue is recorded. The RCHI Group has a standardized approach to estimating and reviewing the collectability of its receivables based on a number of factors, including the period they have been outstanding. Historical collection and payer reimbursement experience is an integral part of the estimation process related to contractual allowances and doubtful accounts. In addition, the RCHI Group regularly assesses the state of its billing operations in order to identify issues which may impact the receivables or reserve estimates. 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 an adjustment to revenues.

During the year ended December 31, 2023, estimated contractual allowances and implicit price concessions of \$40.1 million and \$5.7 million, respectively, have been recorded as reductions to the RCHI Group’s revenues and accounts receivable balances. During the year ended December 31, 2022, estimated contractual allowances and implicit price concessions of \$32.2 million and \$6.9 million, respectively, have been recorded as reductions to the RCHI’s revenues and accounts receivable balances. These amounts were recorded to enable the RCHI Group to record its revenues and accounts receivable at the estimated amounts it expected to collect. As required by Topic 606, after estimated implicit price concessions and contractual and related allowance adjustments to revenues of \$45.8 million and \$39.1 million for the years ended December 31, 2023 and 2022, respectively, the RCHI Group reported net revenues of \$18.5 million and \$12.9 million, respectively. The RCHI Group continues to review the provisions for implicit price concessions and contractual allowances. See Note 4.

Impairment or Disposal of Long-Lived Assets

The RCHI Group 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. The RCHI Group did not record asset impairment charges during the years ended December 31, 2023 and 2022.

Fair Value of Financial Instruments

In accordance with ASC 820, “*Fair Value Measurements and Disclosures*,” the RCHI Group 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, the RCHI Group 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 RCHI 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 the RCHI Group’s own assumptions.

At December 31, 2023 and 2022, the carrying value of the RCHI Group’s accounts receivable, accounts payable, accrued expenses and note payable approximated their fair values due to their short-term nature. The RCHI Group had no Level 1, 2 or 3 assets or liabilities at December 31, 2023 and 2022. As of December 31, 2023 and 2022, the carrying value of the RCHI Group’s property and equipment represented their fair values.

Income Taxes

The RCHI Group was included in the combined 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 the RCHI Group as of December 31, 2023 and 2022. Accordingly, the RCHI Group has not provided for income taxes in the financial statements. On June 10, 2024, RHI entered into the RCHI SEA and on September 10, 2024, RHI entered into the Amendment, as more fully discussed in Notes 1 and 11. Accordingly, the RCHI Group will begin to recognize income taxes as appropriate based upon its new ownership structure. In that event, it is expected that the RCHI Group 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, the RCHI Group will recognize a valuation allowance.

In accordance with U.S. GAAP, the RCHI Group is required to determine whether a tax position of the RCHI Group 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 the RCHI Group recording a tax liability that would reduce net assets. The RCHI Group determined that it has not incurred any liability for tax benefits as of December 31, 2023 and 2022. State income taxes may also be due on any income generated subsequent the RCHI Group’s change in ownership on September 10, 2024.

Note 4 – Accounts Receivable

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

	Year Ended December 31,	
	2023	2022
Accounts receivable	\$ 12,387,893	\$ 12,967,234
Less:		
Contractual allowances	(7,983,042)	(8,519,243)
Allowance for doubtful accounts	(1,464,468)	(1,386,950)
Accounts receivable, net	\$ 2,940,383	\$ 3,061,041

For the years ended December 31, 2023 and 2022, the RCHI Group incurred bad debt expense of \$5.7 million and \$6.9 million, respectively, which was recorded as a reduction of revenues.

Note 5 – Property and Equipment

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

	December 31, 2023	December 31, 2022
Leasehold improvements	\$ 2,160	\$ 2,160
Buildings	-	1,359,484
Furniture and equipment	5,000	5,000
Medical equipment	665,327	563,000
Computer equipment	23,000	23,000
Leased assets	189,711	189,711
	885,198	2,142,355
Less accumulated depreciation	(668,439)	(866,936)
Property and equipment, net	\$ 216,759	\$ 1,275,419

Property and equipment are depreciated on a straight-line basis over their respective lives. Leasehold improvement, furniture and equipment, medical equipment and computer equipment are being depreciated over lives ranging from three to ten years. Depreciation expense on property and equipment was \$0.1 million and \$0.2 million for the years ended December 31, 2023 and 2022, respectively. The buildings and associated accumulated depreciation, which were transferred to a subsidiary of RHI during the year ended December 31, 2023, was being depreciated over 39 years. Management periodically reviews the valuation of property and equipment for potential impairment. Management did not recognize any impairment of these assets during the years ended December 31, 2023 and 2022.

Note 6 – Accrued Expenses

Accrued expenses at December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Accrued payroll and related liabilities	\$ 3,668,105	\$ 3,703,784
HHS Provider Relief Funds	-	285,572
Accrued interest	325,521	292,132
Medicare cost report settlement reserves	2,264,847	2,101,837
Other accrued expenses	925,535	874,430
Accrued expenses	\$ 7,184,008	\$ 7,257,755

Accrued payroll and related liabilities included approximately \$3.6 million and \$3.6 million for accrued past due payroll taxes and associated penalties and interest as of December 31, 2023 and 2022, respectively.

As of December 31, 2022, the Company had accrued approximately \$0.3 million of HHS Provider Relief Funds. These funds were recognized as other income during the year ended December 31, 2023.

Note 7 – Note Payable

Note payable at December 31, 2023 and 2022 was \$0.6 million and \$0.9 million, respectively. On August 10, 2021, SCCH entered into a note payable to Western Healthcare, LLC in the aggregate principal amount of \$1.6 million. The note was issued under the terms of a settlement agreement related to an agreement that SCCH had previously entered into for medical staffing services. The note bears interest at a rate of 18% per annum and payments consisting of principal and interest were due no later than August 30, 2022. On May 12, 2023, SCCH and Western Healthcare, LLC agreed to reduce the aggregate principal amount of the note in exchange for a cash payment. As a result of the reduction of the principal balance in excess of the amount paid, during the year ended December 31, 2023, the RCHI Group recorded a gain from forgiveness of debt of \$50,888. The RCHI Group has not made all of the monthly installments due under the note and the note is past due. RHI is a co-borrower of the note.

Interest expense on the note payable was approximately \$0.1 and \$0.2 million during the years ended December 31, 2023 and 2022, respectively.

Note 8 – Related Parties and Loans from Parent

Loans from Parent

To fund its operations, the RCHI Group has historically relied on non-interest-bearing loans from Parent. The loans totaled \$21.1 million and \$29.1 million as of December 31, 2023 and 2022, respectively, which is net of the receivable from Myrtle at December 31, 2023 as discussed below. The loans are reflected on the Balance Sheets in the caption, “Loans from Parent.”

Myrtle Recovery Centers, Inc.

Included in net revenues was \$0.2 million and \$0 of revenue from Myrtle Recovery Centers, Inc. (“Myrtle”) during the years ended December 31, 2023 and 2022, respectively, related to rental of a portion of the BSF campus used for Myrtle’s operations. The RCHI Group and Myrtle were owned by RHI during the year ended December 31, 2023 and from June 8, 2022 (date of Myrtle’s inception) to December 31, 2022. Included in Loans from Parent discussed below, is \$0.2 million due from Myrtle at December 31, 2023.

InnovaQor, Inc.

During the years ended December 31, 2023 and 2022, the RCHI Group contracted with InnovaQor, Inc. (“InnovaQor”) to provide ongoing health information technology-related services totaling approximately \$0.4 million and \$0.2 million, respectively. These costs are included in general and administrative expenses in the Statements of Operations. RHI owns preferred stock in InnovaQor and has provided working capital loans to InnovaQor.

Note 9– 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. The RCHI Group continually monitors and evaluates its patient registration 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.

The RCHI Group maintains its cash balances in high-credit-quality financial institutions. The RCHI Group 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, the RCHI Group 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. The RCHI Group’s policy is to expense legal fees and expenses incurred in connection with legal proceedings in the period in which the expense is incurred. The RCHI Group 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 the RCHI Group’s financial position or results of operations. Management, in consultation with legal counsel, has determined that there are no known material legal matters affecting the RCHI Group presently outstanding.

Note 10 – 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 the RCHI Group for annual periods beginning after December 15, 2025. The RCHI Group plans to adopt ASU 2023-09 effective January 1, 2026 applying a retrospective approach to all prior periods presented in the financial statements. The RCHI Group 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 RCHI Group’s financial position, results of operations or cash flows.

Note 11 – Subsequent Events

Lease Agreement

On June 1, 2024, SCCH entered into a lease agreement with a subsidiary of RHI under which the SCCH agreed to lease the BSF hospital campus consisting of a hospital and medical office building through May 31, 2025 with five annual options to renew for an additional year with an initial annual base rent in the amount of \$780,000, subject to certain escalators.

Amended and Restated Stock Exchange Agreement with FOXO Technologies Inc.

On June 10, 2024, RHI and RCHI entered into the RCHI SEA with FOXO - see Note 1. On September 10, 2024, FOXO, RHI and RCHI entered into the Amendment pursuant to which the RCHI SEA was amended to amend the consideration to be received by RHI in exchange for all of its equity interests of RCHI from 20,000 shares of Series A Preferred Stock of FOXO to \$100 and a senior note in the principal amount of \$22,000,000 (subject to adjustments) (the “Note”), which are secured by all of the assets of the RCHI and SCCH under the Security and Pledge Agreement dated September 10, 2024 by, between, and among RHI, RCHI, and SCCH (the “Subsidiary Security Agreement”), with FOXO and SCCH providing a guaranty on the Note pursuant to the Guaranty Agreement dated September 10, 2024 (the “Guaranty Agreement”) and with FOXO providing a security interest in the “Collateral,” as defined in the Security and Pledge Agreement dated September 10, 2024 (the “Security Agreement”) with RHI.

The Note matures on September 10, 2026 and accrues interest on any outstanding principal amount at an interest rate of 8% per annum for the first six months increasing to 12% per annum after six months until maturity. After maturity, the default interest rate will be 20% per annum until the Note is paid in full. The Note requires principal repayments equal to 10% of the free cash flow (net cash from operations less capital expenditures) from RCHI and SCCH. Payments will be one month in arrears. The Note will be reduced by payment of 25% of any net proceeds from equity capital raised by FOXO. In addition, RHI shall have an option to exchange the principal and accrued interest of the Note into Series A Preferred Stock of FOXO subject to stockholder and NYSE American approvals.

Accounts Receivable Sales Agreements

In the first and second quarters of 2024, certain subsidiaries of RHI and the RCHI Group entered into four accounts receivable sales agreements whereby portions of the Company’s accounts receivable were sold for net proceeds of \$1.1 million. The agreements require periodic payments based on the Company’s accounts receivable collections until payments of \$1.8 million are made. One of the accounts receivable sales agreements is currently in default due to non-payment.

RCHI GROUP
UNAUDITED CONDENSED COMBINED FINANCIAL STATEMENTS

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RCHI GROUP
UNAUDITED CONDENSED COMBINED BALANCE SHEET

September 10, 2024

ASSETS	
Current assets:	
Cash	\$ 7,963
Accounts receivable, net	2,304,578
Supplies	201,734
Related party receivable	49,436
Prepaid expenses and other current assets	73,377
Total current assets	2,637,088
Property and equipment, net	176,109
Right-of-use asset	2,692,946
Deposits	54,559
Total assets	\$ 5,560,702
LIABILITIES AND STOCKHOLDER'S DEFICIT	
Current liabilities:	
Accounts payable	\$ 3,081,356
Accrued expenses	7,953,188
Note payable	623,832
Right-of-use liability, current portion	213,626
Loans from Parent	20,464,035
Total current liabilities	32,336,037
Right-of-use liability, net of current portion	2,479,320
Total liabilities	34,815,357
Commitments and contingencies (Note 10)	
Stockholder's deficit:	
Common stock, \$0.01 par value, 100 shares authorized, 100 shares issued and outstanding	1
Additional paid-in-capital	99
Accumulated deficit	(29,254,755)
Total stockholder's deficit	(29,254,655)
Total liabilities and stockholder's deficit	\$ 5,560,702

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

RCHI GROUP
UNAUDITED CONDENSED COMBINED STATEMENT OF OPERATIONS

For the Period
January 1 to September 10,
2024

Net revenues	\$	8,283,840
Operating expenses:		
Direct costs of revenues		4,220,275
General and administrative expenses		4,133,049
Depreciation and amortization		114,107
Total operating expenses		8,467,431
Loss before other income		
(expense) and income taxes		(183,591)
Other expense:		
Other expense, net		(556,156)
Interest expense		(225,683)
Total other expense, net		(781,839)
Net loss before income taxes		(965,430)
Provision for income taxes		-
Net loss	\$	(965,430)

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

RCHI GROUP
UNAUDITED CONDENSED COMBINED STATEMENT OF STOCKHOLDER'S DEFICIT
For the Period January 1, 2024 to September 10, 2024

	Common Stock			Additional paid-in capital		Accumulated Deficit		Stockholder's Deficit
	Shares		Amount					
Balance at December 31, 2023	100	\$	1	\$	99	\$	(28,298,325)	\$ (28,289,225)
Net loss	-		-		-		(965,430)	(965,430)
Balance at September 10, 2024	<u>100</u>	<u>\$</u>	<u>1</u>	<u>\$</u>	<u>99</u>	<u>\$</u>	<u>(28,254,755)</u>	<u>\$ (29,254,655)</u>

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

RCHI GROUP
UNAUDITED CONDENSED COMBINED STATEMENT OF CASH FLOWS

For the Period
January 1 to September 10,
2024

Cash flows from operating activities:	
Net loss	\$ (965,430)
Adjustments to reconcile net loss to net cash provided by operations:	
Depreciation and amortization	114,107
Loss on disposal of fixed assets	4,372
Loss on sale of accounts receivable under sales agreements	664,010
Changes in operating assets and liabilities:	
Accounts receivable	111,486
Supplies	(7,400)
Prepaid expenses and other current assets	(30,255)
Related party receivable	(49,436)
Change in right-of-use asset	(2,692,946)
Accounts payable	272,996
Accrued expenses	723,960
Change in right-of-use liability	2,692,946
Net cash provided by operating activities	838,410
Cash flows from investing activities:	
Capital expenditures	(32,609)
Net cash used in investing activities	(32,609)
Cash flows from financing activities:	
Payments of loans from Parent	(681,162)
Proceeds from accounts receivable sales agreements	1,112,955
Payments on accounts receivable sales agreements	(1,252,646)
Net cash used in financing activities	(820,853)
Net change in cash	(15,052)
Cash at beginning of period	23,015
Cash at end of period	\$ 7,963

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

RCHI GROUP
NOTES TO UNAUDITED CONDENSED COMBINED FINANCIAL STATEMENTS
For the Period January 1, 2024 to September 10, 2024

Note 1 – Basis of Presentation

Rennova Community Health, Inc. (“RCHI”), a Florida corporation, and Scott County Community Hospital, Inc. (“SCCH”), a Tennessee corporation, are referred to herein as the RCHI Group. The RCHI Group is owned by Rennova Health, Inc. (“RHI”) or when including RHI’s subsidiaries (“Parent”). During the year ended December 31, 2023, RCHI acquired all the outstanding shares of SCCH. SCCH operates as Big South Fork Medical Center (“BSF”).

BSF is a critical access care hospital located in Oneida, Tennessee consisting of: a 52,000-square foot leased hospital building and 6,300-square foot professional building on approximately 4.3 acres. BSF has 25 inpatient beds, a 24/7 emergency department and provides ancillary services, including laboratory, radiology, respiratory and pharmacy services. The hospital became operational on August 8, 2017 and it became certified as a Critical Access Hospital (rural) hospital in December 2021, retroactive to June 30, 2021.

Stock Exchange Agreement. and Amended and Restated Stock Exchange Agreement with FOXO Technologies Inc.

On June 10, 2024, RHI and RCHI entered into the Stock Exchange Agreement (the “RCHI SEA”) with FOXO Technologies Inc. (“FOXO”), wherein RHI agreed to exchange all of its equity interest in RCHI for FOXO preferred stock. On September 10, 2024, RHI and RCHI entered into the Amended and Restated Stock Exchange Agreement with FOXO (the “Amendment”) under which RHI exchanged all of its equity interest in RCHI with FOXO for consideration of \$100 and RCHI issued a promissory note (the “Note”) to RHI in the amount of \$22 million, subject to certain adjustments. The RCHI SEA, the Amendment and Note are more fully discussed in Note 12.

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 RCHI and SCCH. All significant intercompany transactions between RCHI and SCCH have been eliminated and intercompany transactions between the RCHI and Parent have been included within the caption “Loans to Parent” on the Balance Sheet and Statement of Cash Flow and all external debt of RHI not directly attributable to the RCHI has been excluded from the Balance Sheet of RCHI.

Comprehensive Income

During the period January 1, 2024 to September 10, 2024, comprehensive loss was equal to the net loss amount presented in the Statement of Operations.

Note 2 – Going Concern

Under ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) (“Accounting Standards Codification (“ASC”) 205-40”), the RCHI Group 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 the RCHI Group’s ability to continue as a going concern in accordance with the requirement of ASC 205-40.

As reflected in the combined financial statements, the RCHI Group had a working capital deficit and an accumulated deficit at September 10, 2024. In addition, the RCHI Group had a net loss from continuing operations for the period from January 1, 2024 to September 10, 2024. The RCHI Group has a promissory note in payment default, its cash is deficient and payments for its operations in the ordinary course are not being made in a timely manner. In the period January 1, 2024 to September 10, 2024, some monies were used to repay parent-level obligations.

BSF received its Critical Asset Hospital designation in 2021 (retroactive to June 30, 2021) and experienced increased net revenues and collections in 2022 and 2023 that allowed the RCHI Group to: (i) resolve certain third-party debt disputes, (ii) resolve certain litigation claims, (iii) repay certain parent-level intercompany debt and (v) better manage vendors. However, certain overpayments by Medicare (and other payors) need to be refunded (either through recoupments or via agreed-upon payment plans).

There can be no assurance that the RCHI Group will be able to achieve its business plan and/or raise any additional capital necessary to implement its plans. The ability of the RCHI Group to continue as a going concern is dependent upon its ability to raise adequate capital to fund its operations and repay its outstanding debt and other past due obligations, fully align its operating costs, increase its net revenues and collections, and regain consistently profitable operations. The RCHI Group's financial statements are prepared assuming it can continue as a going concern, which contemplates continuity of operations through realization of assets, and the settling of liabilities in the normal course of business. Furthermore, the accompanying financial statements do not include any adjustments that might be necessary if the RCHI Group is unable to continue as a going concern

Note 3 – 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), among other items. Actual results could differ from those estimates and would impact future results of operations and cash flows.

Cash and Cash Equivalents

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

Revenue Recognition

The RCHI Group recognizes revenue in accordance with Accounting Standard Codification ("ASC"), "*Revenue from Contracts with Customers (Topic 606)*," including subsequently issued updates. Under the accounting guidance, revenues are presented net of estimated contractual allowances and estimated implicit price concessions. The RCHI Group also does not present "allowances for doubtful accounts" on its balance sheets.

The RCHI Group's revenues relate to contracts with patients in which its performance obligations are to provide health care services to the patients. Revenues are recorded during the period its obligations to provide health care services are satisfied. Its performance obligations for inpatient services are generally satisfied over periods averaging approximately three days, and revenues are recognized based on charges incurred. Its performance obligations for outpatient services, including emergency room-related services, are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payer (Medicare, Medicaid, managed care health plans and commercial insurance companies) and the transaction prices for the services provided are dependent upon the terms provided by (Medicare and Medicaid) or negotiated with (managed care health plans and commercial insurance companies) the third-party payers. The payment arrangements with third-party payers for the services it provides to the related patients typically specify payments at amounts less than our standard charges. Medicare, because of the BSF's designation as a Critical Access Hospital, generally pays for inpatient and outpatient services at rates related to the hospital's costs. Services provided to patients having Medicaid coverage are generally paid at prospectively determined rates per discharge, per identified service or per covered member. Agreements with commercial insurance carriers, managed care and preferred provider organizations generally provide for payments based upon predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals. The RCHI Group's net revenues are based upon the estimated amounts it expects to be entitled to receive from patients and third-party payers. Estimates of contractual allowances under managed care and commercial insurance plans are based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts). The RCHI Group also records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts it expects to collect.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined (in relation to certain government programs, primarily Medicare, this is generally referred to as the “cost report” filing and settlement process). As of September 10, 2024, \$2.1 million of Medicare cost report settlement reserves was recorded as a liability on the Balance Sheet, as more fully discussed in Note 7.

The collection of outstanding receivables for Medicare, Medicaid, managed care payers, other third-party payers and patients is the RCHI Group’s primary source of operating cash and is critical to its operating performance. The primary collection risks relate to uninsured patient accounts, including 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. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed. The estimates for implicit price concessions are based upon management’s assessment of historical write offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections of the RCHI Group’s revenues and accounts receivable (the “hindsight analysis”) as a primary source of information in estimating the collectability of its accounts receivable.

Contractual Allowances and Doubtful Accounts Policy

Accounts receivable are reported at realizable value, net of estimated contractual allowances and estimated implicit price concessions (also referred to as doubtful accounts), which are estimated and recorded in the period the related revenue is recorded. The RCHI Group has a standardized approach to estimating and reviewing the collectability of its receivables based on a number of factors, including the period they have been outstanding. Historical collection and payer reimbursement experience is an integral part of the estimation process related to contractual allowances and doubtful accounts. In addition, the RCHI Group regularly assesses the state of its billing operations in order to identify issues which may impact the receivables or reserve estimates. 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 an adjustment to revenues.

During the period January 1, 2024 to September 10, 2024, estimated contractual allowances and implicit price concessions of \$26.3 million and \$3.7 million, respectively, were recorded as reductions to the RCHI Group’s revenues and accounts receivable balances. These amounts were recorded to enable the RCHI Group to record its revenues and accounts receivable at the estimated amounts it expected to collect. As required by Topic 606, after estimated implicit price concessions and contractual and related allowance adjustments to revenues of \$30.0 million for the period January 1, 2024 to September 10, 2024, the RCHI Group reported net revenues of \$8.4 million. The RCHI Group continues to review the provisions for implicit price concessions and contractual allowances. See Note 4.

Impairment or Disposal of Long-Lived Assets

The RCHI Group 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. The RCHI Group did not record asset impairment charges during the period January 1, 2024 to September 10, 2024.

Fair Value of Financial Instruments

In accordance with ASC 820, “*Fair Value Measurements and Disclosures*,” the RCHI Group 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, the RCHI Group 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 RCHI 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 the RCHI Group’s own assumptions.

At September 10, 2024, the carrying value of the RCHI Group’s accounts receivable, accounts payable, accrued expenses and note payable approximated their fair values due to their short-term nature. The RCHI Group had no Level 1, 2 or 3 assets or liabilities at September 10, 2024. As of September 10, 2024, the carrying value of the RCHI Group’s property and equipment and right-of-use assets and liabilities represented their fair values.

Income Taxes

The RCHI Group will be included in the consolidated income tax returns of RHI for the period January 1, 2024 to September 10, 2024 and a determination has been made by RHI’s management not to allocate any of the deferred tax assets or liabilities to the RCHI Group as of September 10, 2024. Accordingly, the RCHI Group has not provided for income taxes in the financial statements. On June 10, 2024, RHI entered into the RCHI SEA and on September 10, 2024, RHI entered into the Amendment, as more fully discussed in Notes 1 and 12. Accordingly, the RCHI Group will begin to recognize income taxes as appropriate based upon its new ownership structure. In that event, it is expected that the RCHI Group 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, the RCHI Group will recognize a valuation allowance.

In accordance with U.S. GAAP, the RCHI Group is required to determine whether a tax position of the RCHI Group 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 the RCHI Group recording a tax liability that would reduce net assets. The RCHI Group determined that it has not incurred any liability for tax benefits as of September 10, 2024. State income taxes may also be due on any income generated subsequent the RCHI Group’s change in ownership on September 10, 2024.

Note 4 – Accounts Receivable

Accounts receivable at September 10, 2024 consisted of the following:

	September 10, 2024
Accounts receivable	\$ 11,360,299
Less:	
Contractual allowances	(7,377,288)
Allowance for doubtful accounts	(1,153,114)
Accounts receivable owed under sales agreements	(525,319)
Accounts receivable, net	<u>\$ 2,304,578</u>

For the period January 1, 2024 to September 10, 2024, the RCHI Group incurred bad debt expense of \$3.7 million, which was recorded as a reduction of revenues.

Accounts Receivable Sales Agreements

During the period January 1, 2024 to September 10, 2024, the RCHI Group entered into four accounts receivable sales agreements whereby portions of the RCHI Group's accounts receivable were sold for net proceeds of \$1.1 million. The agreements require periodic payments based on the SCCH's accounts receivable collections until payments of \$1.8 million are made. The RCHI Group recorded a loss on the sales of its accounts receivable during the period January 1, 2024 to September 10, 2024 of \$0.7 million. One of the accounts receivable sales agreements is currently in default due to non-payment.

Note 5 – Property and Equipment

Property and equipment at September 10, 2024 consisted of the following:

	September 10, 2024
Leasehold improvements	\$ 2,160
Furniture and equipment	5,000
Medical equipment	692,167
Computer equipment	23,000
Leased assets	189,711
	912,038
Less accumulated depreciation	(735,929)
Property and equipment, net	\$ 176,109

Property and equipment are depreciated on a straight-line basis over their respective lives. Leasehold improvement, furniture and equipment, medical equipment and computer equipment are being depreciated over lives ranging from three to ten years. Depreciation expense on property and equipment was \$0.1 million for the period January 1, 2024 to September 10, 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, 2024 to September 10, 2024.

Note 6 – Right-of-Use Asset and Liability

As discussed in Note 9, the RCHI Group leases facilities for SCCH's operations under an operating lease with a subsidiary of RHI. For operating leases with terms greater than 12 months, including annual options that are expected to be renewed, the RCHI Group records the related right-of-use assets and right-of-use liabilities at the present value of lease payments over the terms.

The RCHI Group uses an estimated borrowing interest rate at lease commencement as its interest rate, as its operating leases do not provide a readily determinable implicit interest rate.

The following table presents the RCHI Group's lease-related asset and liability at September 10, 2024:

	Balance Sheet Classification	September 10, 2024
Asset:		
Operating lease	Right-of-use operating lease asset	\$ 2,692,946
Liability:		
Current:		
Operating lease	Right-of-use operating lease liability	\$ 213,626
Noncurrent:		
Operating lease	Right-of-use operating lease liability	2,479,320
Total right-of-use lease liability		\$ 2,692,946
Weighted average remaining term of operating lease, including option periods expected to renew		5.77 years
Interest rate		22.0%

The following table presents certain information related to lease expense for the right-of-use operating lease for the period January 1, 2024 to September 10, 2024:

	January 1, 2024 to September 10, 2024	
Right-of-use operating lease amortization (1)	\$	45,220
Right-of-use operating lease interest expense (2)	\$	149,780

(1) Expense is included in selling, general and administrative expenses in the Statement of Operations.

(2) Expense is included in interest expense in the Statement of Operations.

The following table presents supplemental cash flow information for the period January 1, 2024 to September 10, 2024:

	January 1, 2024 to September 10, 2024	
Operating cash flows for right-of-use operating lease	\$	-

Aggregate future minimum lease payments under right-of-use operating lease are as follows:

	Right-of-Use Operating Lease	
Twelve months ending:		
September 11, 2024 to September 10, 2025	\$	785,850
September 11, 2025 to September 10, 2026		809,426
September 11, 2026 to September 10, 2027		833,708
September 11, 2027 to September 10, 2028		858,720
September 11, 2028 to September 10, 2029		884,481
Thereafter		678,175
Total		4,850,360
Less interest		(2,157,414)
Present value of minimum lease payments		2,692,946
Less current portion of right-of-use lease liability		(213,626)
Right-of-use lease liability, net of current portion	\$	2,479,320

Note 7 – Accrued Expenses

Accrued expenses at September 10, 2024 consisted of the following:

	September 10, 2024
Accrued payroll and related liabilities	\$ 4,392,345
Accrued interest	400,381
Medicare cost report settlement reserves	2,097,135
Other accrued expenses	1,063,327
Accrued expenses	\$ 7,953,188

Accrued payroll and related liabilities included approximately \$4.0 million for accrued past due payroll taxes and associated penalties and interest as of September 10, 2024.

Note 8 – Note Payable

Note payable at September 10, 2024 was \$0.6 million. On August 10, 2021, SCCH entered into a note payable to Western Healthcare, LLC in the aggregate principal amount of \$1.6 million. The note was issued under the terms of a settlement agreement related to an agreement that SCCH had previously entered into for medical staffing services. The note bears interest at a rate of 18% per annum and payments consisting of principal and interest were due no later than August 30, 2022. RCHI has not made all of the monthly installments due under the note and the note is past due. RHI is a co-borrower of the note.

Interest expense on the note payable was approximately \$0.1 million during the period January 1, 2024 to September 10, 2024.

Note 9 – Related Parties and Loans from Parent*Myrtle Recovery Centers, Inc.*

Included in net revenues was \$21,665 of revenue from Myrtle Recovery Centers, Inc. (“Myrtle”) during the period January 1, 2024 to September 10, 2024, related to ancillary services provided to Myrtle by SCCH, under a services agreement. The RCHI Group and Myrtle were owned by RHI from June 8, 2022 (date of Myrtle’s inception) to June 14, 2024, when Myrtle was sold to FOXO.

On June 1, 2024, the RCHI Group and Myrtle entered into a management agreement wherein the RCHI Group 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. Included in Other expense, (net) for the period January 1, 2024 to September 10, 2024 was \$43,500 of management fees income pursuant to the agreement. At September 10, 2024, \$49,436 was due from Myrtle for management fees and other expenses.

InnovaQor, Inc.

During the period January 1, 2024 to September 10, 2024, the RCHI Group contracted with InnovaQor, Inc. (“InnovaQor”) to provide ongoing health information technology-related services totaling approximately \$0.2 million. These costs are included in general and administrative expenses in the Statement of Operations. RHI owns preferred stock in InnovaQor and has provided working capital loans to InnovaQor.

Lease Agreement with Parent

On June 1, 2024, SCCH entered into a lease agreement with a subsidiary of RHI under which the SCCH agreed to lease the BSF hospital campus consisting of a hospital and medical office building for a term of one year with five annual options to renew for an additional year with an initial annual base rent in the amount of \$780,000, subject to certain escalators. The lease is accounted for as a right-of-use asset and a right-of-use obligation as presented in Note 6.

Loans from Parent

To fund its operations, the RCHI Group has relied on non-interest-bearing loans from Parent. The loans totaled \$20.5 million at September 10, 2024. The loans are reflected on the Balance Sheet in the caption, “Loans from Parent.”

Note 10– 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. The RCHI Group continually monitors and evaluates its patient registration 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.

The RCHI Group maintains its cash balances in high-credit-quality financial institutions. The RCHI Group 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, the RCHI Group 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. The RCHI Group's policy is to expense legal fees and expenses incurred in connection with legal proceedings in the period in which the expense is incurred. The RCHI Group 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 the RCHI Group's financial position or results of operations. Management, in consultation with legal counsel, has determined that there are no known material legal matters affecting the RCHI Group presently outstanding.

Note 11 – 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 the RCHI Group for annual periods beginning after December 15, 2025. The RCHI Group plans to adopt ASU 2023-09 effective January 1, 2026 applying a retrospective approach to all prior periods presented in the financial statements. The RCHI Group 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 RCHI Groups' financial position, results of operations or cash flows.

Note 12 – Subsequent Events

Amended and Restated Stock Exchange Agreement with FOXO Technologies Inc.

On June 10, 2024, RHI and RCHI entered into the RCHI SEA with FOXO - see Note 1. On September 10, 2024, the RHI and RCHI entered into the Amendment, pursuant to which the RCHI SEA was amended to amend the consideration received by RHI in exchange for all of its equity interests of RCHI from 20,000 shares of Series A Preferred Stock of FOXO to \$100 and a senior note in the principal amount of \$22 million (subject to adjustments) (the "Note"), which is secured by all of the assets of the RCHI and SCCH under the Security and Pledge Agreement dated September 10, 2024 by, between, and among RHI, RCHI, and SCCH (the "Subsidiary Security Agreement"), with FOXO and SCCH providing a guaranty on the Note pursuant to the Guaranty Agreement dated September 10, 2024 (the "Guaranty Agreement") and with FOXO providing a security interest in the "Collateral," as defined in the Security and Pledge Agreement dated September 10, 2024 (the "Security Agreement") with RHI.

The Note matures on September 10, 2026 and accrues interest on any outstanding principal amount at an interest rate of 8% per annum for the first six months increasing to 12% per annum after six months until maturity. After maturity, the default interest rate will be 20% per annum until the Note is paid in full. The Note requires principal repayments equal to 10% of the free cash flow (net cash from operations less capital expenditures) from RCHI and SCCH. Payments will be one month in arrears. The Note will be reduced by payment of 25% of any net proceeds from equity capital raised by FOXO. In addition, RHI shall have an option to exchange the principal and accrued interest of the Note into Series A Preferred Stock of FOXO subject to stockholder and NYSE American approvals.

**UNAUDITED PRO FORMA
CONDENSED COMBINED STATEMENTS OF OPERATIONS
INTRODUCTION**

The accompanying unaudited pro forma condensed combined statements of operations reflect the combined financial position of FOXO Technologies, Inc. ("FOXO" or the "Company"), Myrtle Recovery Centers, Inc. ("Myrtle") and the Rennova Community Health, Inc. ("RCHI") Group for the nine months ended September 30, 2024 and the year ended December 31, 2023 after giving effect to the acquisitions of Myrtle and RCHI, as more fully described below and in Item 2.01 of this Form 8-K/A. The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2024 and for the year ended December 31, 2023 give effect to the acquisitions as if they had occurred on January 1, 2023.

The following information is not necessarily indicative of the operating results that would have occurred had the acquisitions been consummated at the beginning of the periods for which the consummation of the transactions are being given effect.

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

	FOXO Technologies Inc. Historical for the Nine Months Ended September 30, 2024	Myrtle Recovery Centers, Inc. January 1, 2024 to June 13, 2024 (A)	RCHI Group January 1, 2024 September 10, 2024 (B)	Pro Forma Adjustments	Pro Forma For the Nine Months Ended September 30, 2024
Net revenues	\$ 1,231	\$ 281	\$ 8,284	\$ (22) (C)	\$ 9,774
Operating expenses:					
Direct costs of revenues	572	263	4,220	-	5,055
Research and development	312	-	-	-	312
Management contingent share plan forfeitures	(75)	-	-	-	(75)
Selling, general and administrative expenses	4,195	785	4,247	(66) (C)	9,161
Total operating expenses	5,004	1,048	8,467	(66)	14,453
Loss before other income (expense), net	(3,773)	(767)	(183)	44	(4,679)
Other expense, net:					
Interest expense	(1,800)	-	(226)	(D)	(2,026)
Other expense, net	(48)	-	(556)	(44) (C)	(648)
Total other expense, net	(1,848)	-	(782)	(44)	(2,674)
Net loss before income taxes	(5,621)	(767)	(965)	-	(7,353)
Provision for income taxes	-	-	-	-	-
Net loss	(5,621)	(767)	(965)	-	(7,353)
Net loss attributable to noncontrolling interest of Myrtle	8	-	-	15 (E)	23
Net loss attributable to FOXO	(5,613)	(767)	(965)	15	(7,330)
Deemed dividends	(1,054)	-	-	-	(1,054)
Net loss available to common stockholders	\$ (6,667)	\$ (767)	\$ (965)	\$ 15	\$ (8,384)
Net loss per share of common stock available to common stockholders- basic and diluted	\$ (0.62)	\$ -	\$ -	\$ -	\$ (0.73)
Weighted average number of shares of common stock outstanding during the period - basic and diluted (G)	10,813	-	-	740 (F)	11,553

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

- (A) Myrtle was acquired by FOXO from RHI on June 14, 2024 per the terms of a Stock Exchange Agreement, as supplemented (the “**Myrtle SEA**”). Pursuant to the Myrtle SEA, the Company acquired 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. Payment was made by issuing RHI a non interest bearing demand promissory note in the amount of \$235 and by issuing 1,024 shares of the Company’s Class A Common Stock. The Class A Common Stock was issued to RHI on July 17, 2024. The acquisition is accounted for under Accounting Standards Codification Topic 805, Business Combinations. Based on the preliminary purchase 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 allocation no later than one year from the 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. The acquisition is more fully described in Note 5 to the Company’s Quarterly Report on Form 10-Q filed with the Security and Exchange Commission on November 19, 2024.
 - (B) The RCHI Group was acquired by FOXO from RHI on September 10, 2024 as more fully described in Item 2.01 of this Form 8-K/A. The acquisition 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 RCHI’s assets and liabilities is goodwill of \$30,791. 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.
 - (C) To eliminate intercompany revenue and expenses between the RCHI Group and Myrtle.
 - (D) Excludes interest expense for the period January 1, 2024 to September 10, 2024 on the \$22,000 Senior Note issued by RCHI to RHI for the acquisition of the RCHI Group as it is the intention of the Company and RCHI that the Senior Note is exchanged for equity in the form of the Company’s Series A Preferred Stock. See the scenarios below that present the pro forma information for the nine months ended September 30, 2024: (i) with interest expense on the Senior Note calculated for the period January 1, 2024 to September 10, 2024, and (ii) assuming the exchange of the Senior Note for FOXO’s Series A Preferred Stock at the beginning of the period presented.
 - (E) Represents the noncontrolling interest in the loss of Myrtle for the period January 1, 2024 to June 13, 2024.
 - (F) Adjusts the number of shares of FOXO Class A Common Stock outstanding during the period per the terms of the Myrtle SEA. The shares were issued on July 17, 2024 and, therefore, only a portion of the shares were included in the historical weighted average number of shares of common stock outstanding during the nine months ended September 30, 2024.
 - (G) 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.
-

The following Scenario 1 reflects the pro forma data for the nine months ended September 30, 2024, including interest expense on the Senior Note issued to RHI for the acquisition of RCHI:

	Pro Forma for the Nine Months Ended September 30, 2024(a)	Interest Expense on the Senior Note	Adjusted Pro Forma for the Nine Months Ended September 30, 2024
Net loss attributable to FOXO	\$ (7,330)	\$ (1,833) (b)	\$ (9,163)
Deemed dividends	(1,054)	-	(1,054)
Net loss available to common stockholders	<u>\$ (8,384)</u>	<u>\$ (1,833)</u>	<u>\$ (10,217)</u>
Net loss per share of common stock available to common stockholders – basic and diluted	<u>\$ (0.73)</u>	<u>\$</u>	<u>\$ (0.88)</u>

(a) As presented in the above unaudited pro forma condensed combined statement of operations data for the nine months ended September 30, 2024.

(b) Represents interest expense on the \$22,000 Senior Note at a rate of 12% per annum for the period January 1, 2024 to September 10, 2024.

The following Scenario 2 reflects the pro forma data for the nine months ended September 30, 2024, assuming the exchange of the Senior Note for FOXO's Series A Preferred Stock:

	Pro Forma for the Nine Months Ended September 30, 2024(a)	Interest Expense on the Senior Note & Series A Preferred Stock Dividends	Adjusted Pro Forma For the Nine Months Ended September 30, 2024
Net loss attributable to FOXO	\$ (7,330)	\$ 100 (b)	\$ (7,230)
Deemed and preferred stock dividends	(1,054)	(825) (c)	(1,879)
Net loss available to common stockholders	<u>\$ (8,384)</u>	<u>\$ (725)</u>	<u>\$ (9,109)</u>
Net loss per share of common stock available to common stockholders – basic and diluted	<u>\$ (0.73)</u>	<u>\$</u>	<u>\$ (0.79)</u>

(a) As presented in the above unaudited pro forma condensed combined statement of operations data for the nine months ended September 30, 2024.

(b) Removes interest expense on the Senior Note for the period September 11, 2024 to September 30, 2024 recorded in the historical financials results of FOXO and included in the pro forma net loss for the nine months ended September 30, 2024.

(c) Represents dividends on the Series A Preferred Stock at a dividend rate of 5% per annum for the nine months ended September 30, 2024. Assumes the Senior Note was exchanged for the Series A Preferred Stock at the beginning of the period presented. Assumes no conversions of the Series A Preferred Stock into common stock in the nine months ended September 30, 2024. The diluted potential common shares associated with the Series A Preferred Stock 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. Year Ended December 31, 2023 (A)	RCHI Group Year Ended December 31, 2023 (B)	Pro Forma Adjustments	Pro Forma Year Ended December 31, 2023
Net revenues	\$ 145	\$ 140	\$ 18,546	\$ (164) (C)	\$ 18,667
Operating expenses:					
Direct costs of revenues	132	258	7,074	-	7,464
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	5,584	(164) (C)	25,787
Total operating expenses	22,333	1,226	12,658	(164)	36,053
(Loss) income before other income (expense), net	(22,188)	(1,086)	5,888	-	(17,386)
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)	-	(139)	(D)	(1,203)
Other income, net	19	-	648	-	667
Total other income (expense), net	(4,263)	-	509	-	(3,754)
Net (loss) income before income taxes	(26,451)	(1,086)	6,397	-	(21,140)
Provision for income taxes	-	-	-	-	-
Net (loss) income	(26,451)	(1,086)	6,397	-	(21,140)
Net loss attributable to noncontrolling interest of Myrtle	-			21 (E)	21
Net (loss) income attributable to FOXO	(26,451)	(1,086)	6,397	21	(21,119)
Deemed dividends	(3,378)	-	-	-	(3,378)
Net (loss) income available to common stockholders	\$ (29,829)	\$ (1,086)	6,397	\$ 21	\$ (24,497)
Net loss per share of common stock available to common stockholders- basic and diluted	\$ (7.08)	\$ -	\$ -	\$ -	\$ (4.68)
Weighted average number of shares of common stock outstanding during the period - basic and diluted (G)	4,216	-	-	1,024 (F)	5,240

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

- (A) Myrtle was acquired by FOXO from RHI on June 14, 2024 per the terms of a Stock Exchange Agreement, as supplemented (the “**Myrtle SEA**”). The acquisition is more fully described above in Pro Forma Adjustment (A) to the Unaudited Pro Forma Condensed Combined Statement of Operations Data for the Nine Months Ended September 30, 2024.
 - (B) The RCHI Group was acquired by FOXO from RHI on September 10, 2024 as more fully described in Item 2.01 of this Form 8-K/A. The acquisition 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 RCHI’s assets and liabilities is goodwill of \$30,791. 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.
 - (C) To eliminate intercompany revenue and expenses between the RCHI Group and Myrtle.
 - (D) Excludes interest expense for the year ended December 31, 2023 on the \$22,000 Senior Note issued by RCHI to RHI for the acquisition of the RCHI Group as it is the intention of the Company and RCHI that the Senior Note is exchanged for equity in the form of the Company’s Series A Preferred Stock. See the scenarios below that present the pro forma information: (i) with interest expense on the Senior Note calculated for the year ended December 31, 2023, and (ii) assuming the exchange of the Senior Note for FOXO’s Series A Preferred Stock at the beginning of the period presented.
 - (E) Represents the noncontrolling interest in the loss of Myrtle for the year ended December 31, 2023.
 - (F) Adjusts the number of shares of FOXO Class A Common Stock outstanding during the period per the terms of the Myrtle SEA. The shares were issued on July 17, 2024.
 - (G) 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.
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The following Scenario 1 reflects the pro forma data for the year ended December 31, 2023, including interest expense on the Senior Note issued to RHI for the acquisition of RCHI:

	Pro Forma for the Year Ended December 31, 2023(a)	Interest Expense on the Senior Note	Adjusted Pro Forma for the Year Ended December 31, 2023
Net loss attributable to FOXO	\$ (21,119)	\$ (2,220) (b)	\$ (23,319)
Deemed dividends	(3,378)	-	(3,378)
Net loss available to common stockholders	<u>\$ (24,497)</u>	<u>\$ (2,200)</u>	<u>\$ (26,697)</u>
Net loss per share of common stock available to common stockholders – basic and diluted	<u>\$ (4.68)</u>	<u>\$</u>	<u>\$ (5.09)</u>

(a) As presented in the above unaudited pro forma condensed combined statement of operations data for the year ended December 31, 2023.

(b) Represents interest expense on the \$22,000 Senior Note at a blended rate of 10% per annum for the year ended December 31, 2023.

The following Scenario 2 reflects the pro forma data for the year ended December 31, 2023, assuming the exchange of the Senior Note for FOXO's Series A Preferred Stock:

	Pro Forma for the Year Ended December 31, 2023(a)	Series A Preferred Stock Dividends	Adjusted Pro Forma for the Year Ended December 31, 2023
Net loss attributable to FOXO	\$ (21,119)	\$ -	\$ (21,119)
Deemed and preferred stock dividends	(3,378)	(1,100) (b)	(4,478)
Net loss available to common stockholders	<u>\$ (24,497)</u>	<u>\$ (1,100)</u>	<u>\$ 25,597)</u>
Net loss per share of common stock available to common stockholders – basic and diluted	<u>\$ (4.68)</u>	<u>\$</u>	<u>\$ (4.88)</u>

(a) As presented in the above unaudited pro forma condensed combined statement of operations data for the year ended December 31, 2023.

(b) Represents dividends on the Series A Preferred Stock at a dividend rate of 5% per annum for the year ended December 31, 2023. Assumes the Senior Note was exchanged for the Series A Preferred Stock at the beginning of the period presented. Assumes no conversions of the Series A Preferred Stock into common stock during the year ended December 31, 2023. The diluted potential common shares associated with the Series A Preferred Stock were not included in the computation of diluted loss per share because to do so would have been anti-dilutive.