

## OTCIQ Quarterly Report

### **FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation  
or organization)

**90-0687379**

(IRS Employer Identification No.)

**95 Bulldog Blvd, Suite 202**

**Melbourne, FL.**

(Address of principal executive office)

**32901**

(Zip Code)(Registrant's telephone number, Including area code)

**(321) 725-0090**

This report may contain forward-looking statements within the meaning of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements to all comments are based on our management's beliefs and assumptions and on information currently available to our management and involve risks and uncertainties. Forward-looking statements include statements regarding our plans, strategies, objectives, expectations, and intentions, which are subject to change at any time at our discretion. Forward-looking statements include our assessment, from time to time, of our competitive position, the industry, environment, potential growth opportunities and the effects of regulation. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "estimates," "expects," "hopes," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would" or similar expressions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss many of these risks in greater detail in "Risk Factors." Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this report. You should read this report and the documents that we reference in this report and have filed as exhibits to the report completely and with the understanding that our actual future results may be materially different from what we expect. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

#### **ITEM 1. BUSINESS**

First Choice Healthcare Solutions, Inc. ("FCHS," "the Company," "we," "our" or "us") is actively engaged in implementing a defined growth strategy aimed at building a network of localized, integrated healthcare services platforms comprised of primary care using doctors, nurse practitioners, health and well services (anti-aging, weight management and stem cells), rehabilitative therapy, pain management, and pharmacy- services. in key high growth markets throughout the U.S.

#### **Operating Subsidiaries**

We have operated as First Choice Healthcare Solutions, Inc., a Delaware corporation, since February 13, 2012. Our corporate address is 95 Bulldog Suite, 202, Melbourne, Florida, 32901 and our phone number is 321-725-0090. Our corporate website address is [www.myfchs.com](http://www.myfchs.com). The information contained on our website is not incorporated by reference herein. In 2023, we operated our business through two wholly owned subsidiaries. FCID Medical, Inc. ("FCID Medical") is the subsidiary under which we own and operate First Choice Medical Group of Brevard, LLC, our original medical services. The web site is [www.myfcmg.com](http://www.myfcmg.com)

#### **Recent Developments**

On November 15, 2018, the Company's CEO, Chris Romandetti, Sr., was arrested on criminal and civil charges of conspiracy to commit securities fraud, conspiracy to commit wire fraud, securities fraud, and conspiracy

to commit money laundering brought in the United States District Court for the Eastern District of New York. As a result of his arrest, the Company's Board of Directors placed Mr. Romandetti on indefinite administrative leave.

On November 19, 2018, the independent Board of Directors of First Choice Healthcare Solutions, Inc. (the "Company") appointed Phillip J. Keller as the Company's interim CEO. Mr. Keller served as the Company's CFO from July 24, 2017 until June 25, 2020, when a new board was seated, and a permanent CEO Lance Friedman was appointed.

On September 4, 2018, Mr. Romandetti resigned from the Company's Board of Directors. His resignation was not the result of any disagreement with the Company on any matter or matters relating to the Company's operations, policies, or practices.

On September 28, 2018, the Company's Board of Directors notified Mr. Romandetti of the termination of his March 20, 2014, Employment Agreement with the Company, and his employment thereunder for Cause, as defined thereunder. In June of 2023, Mr. Romandetti negotiated a plea deal with the US Attorney for the Eastern District of New York.

As of September 31, 2020, the Company was notified by both the US Attorney for the Eastern District of New York and the attorney representing the Securities and Exchange Commission that the Company was not a target and not part of any ongoing investigation, the Company has offered its full cooperation.

On June 15, 2020, the Company filed for Chapter 11 bankruptcy protection. The plan was confirmed on February 23, 2022. On April 23, 2023, the final decree was issued allowing the company to exit bankruptcy.

. On June 25, 2020, a new board was seated, and a permanent CEO was appointed.

## **Our Healthcare Services Business**

Our care specialists are recruited and retained with an emphasis on best practices and attitude; that being committed to meeting and exceeding the care needs of our patients and their families. Moreover, all employees, from the receptionists to the practitioners are considered caregivers who put the patient first. Our caregivers cooperate with one another through a common focus on the best interests and personal goals of each patient. We also consider family members and friends of patients to be vital components of the care team.

Our team is committed to compassionate care and improving the lives of our patients. Care is focused on each patient's full continuum of care, which requires a more personalized approach to treatment. It is the mission of our team to customize care to ensure that each patient's needs, values, and choices are always considered and delivered through superior diagnostic, treatment, and rehabilitative experiences.

Our caregivers listen to and honor the perspectives and choices of patients and their families. Moreover, our caregivers communicate and share complete and unbiased information with patients and families in ways that are affirming and useful in decision-making processes. Our care delivery practices exemplify the very definition of patient-centric care, explicitly recognizing the importance of human interaction in terms of personalized care, kindness and being 'present' with patients.

Our patient-centric culture strives to include providing an inviting, easily accessible, peaceful, healing environment that is aesthetically pleasing and designed specifically to allay patient fear, anxiety, and discomfort. The design and decor of our lobbies and diagnostic and treatment rooms are intended to define and reinforce a strong and relevant brand image of quality, patient-centered care.

We utilize advanced diagnostic technologies coupled with the latest in individualized care, including trigger point injections and pharmacological, Physical/Occupational Therapy ("PT/OT"), Orthopedic, Pain Management, and Chiropractic treatments.

## **Our Growth Strategy**

We aim to distinguish our Medical Centers of Excellence from our competition by earning our Centers reputations as premier destinations for clinically superior, patient-centric care that is coordinated across our patients' entire care continuums. By doing so, we expect to deliver more meaningful and collaborative doctor-patient experiences, more

accurate diagnoses resulting from care coordination, effective treatment plans, faster recoveries, and materially reduced costs.

Under our former First Choice Healthcare Solutions umbrella before our 2020/2022 reorganization and restructuring, the Company had a limited service offering physical and occupational therapy services, pain management. Furthermore, there was a lack of scale or growth paired with a negative capital market outlook. Under our new strategy, First Choice Healthcare Solutions, Inc. (“FCHS,” “the Company,” “we,” “our” or “us”) is actively engaged in implementing a defined growth strategy aimed at building a network of localized, integrated healthcare services platforms comprised of primary care using doctors, nurse practitioners, health and well services (anti-aging, weight management and stem cells), rehabilitative therapy, pain management, and pharmacy- services. in key high growth markets throughout the U.S. By maximizing our potential through adding such services through expansion, we can expand our scale, achieve higher margins through such economies of scale, and focus more on acquisitions.

We aim to distinguish our Medical Centers of Excellence from our competition by earning our Centers reputations as premier destinations for clinically superior, patient-centric care that is coordinated across our patients’ entire care continuums. By doing so, we expect to deliver more meaningful and collaborative doctor-patient experiences, more accurate diagnoses resulting from care coordination, effective treatment plans, faster recoveries, and materially reduced costs.

Additional criteria for future Medical Centers of Excellence include opportunities to support economies of scale in billing, collections, purchasing, advertising and compliance which can be fully leveraged to reduce expense and fuel income growth; and opportunities to increase awareness of our brand by aligning with patients, referring physicians, medical institutions, insurers, employers and other healthcare stakeholders in local markets that share our core values.

Our business model is centered on our team physicians being employees, thereby permitting us to optimize revenue generation from both physicians and ancillary services, while also providing our employed care providers with the ability to refer patients to our on-site diagnostic and ancillary services. Physician-owned practices, on the other hand, may be subject to prevailing federal regulations (e.g., The Ethics in Patient Referral Act of 1989, as amended; more commonly known as the “Stark Law”), which may limit their ability to refer patients for certain healthcare services provided by entities in which a physician-owner(s) has a financial interest.

We believe that our centralized system of back-office operations will continue to allow us to achieve measurable cost and productivity efficiencies as we expand the number of centers and platforms we own and operate. We have specifically designed our centralized back-office system to alleviate staff physicians from business administration responsibilities associated with operating a medical practice or clinic, enabling them to focus strictly on caring for the patients we serve. Physicians who own and manage their own private practices or clinics typically must devote valuable time and resources to addressing business concerns – time and resources that might otherwise be spent on treating their patients.

## **Our Competitive Strengths**

We believe that we have certain competitive strengths and advantages including:

### **Unique Benefits**

- First Choice Medical Group patients get in to see the clinicians quickly, even on the same day, unlike other offices, which require a 6-12 week wait for an appointment.
- First Choice is a Full-Service Health Center (XRAY/MRI/PAIN MANAGMENT/LEVEL II Procedure room/PT/OT).
- First Choice provides ortho services for the pediatric patient population.
- Credentialed with most commercial Insurances, Medicare, Medicaid, and the VA
- First Choice is not a conglomerate hospital system; thus, no patient gets “lost” in the system. First Choice staff know each other and know their patients. They work together throughout treatment and recovery.

### **Interventional Pain**

- First Choice Medical Group is a full MSK wellness center for patients who have chronic musculoskeletal pain. Patients receive treatment, guidance, and support to get back to living pain free.
- Pharmoco Genetic testing is used to minimize patient reactions to medications.

- First Choice offers alternatives to opioids such as pain pumps which are considered more effective than oral medication that allows meds to be absorbed quicker and more directly.

#### **Physical Therapy/Occupational Therapy**

- First Choice Medical Group has multiple locations for Physical Therapy, geographically pinpointed for patient convenience.
- First Choice offers on-site custom splinting.
- In-house DME fittings drive more successful patient compliance.
- Physical Therapists are trained in multiple modalities of treatment: Graston Technique®, Lymphedema wrapping, Acupuncture, Dry Needling, and Cupping.
- First Choice conducts free educational classes for the community to receive education regarding balance, back pain, etc.
- Offers on site support to community for workplace ergonomics.

#### **Workers Comp & PIP**

- Work with attorneys directly with PI/LOP & work comp, and do not have to send out of county.
- Comprehensive Functional Capacity evaluations deliver comprehensive reports for lawyers.
- Provide onsite Occupational health, including employer testing and exams.

Serving Florida’s Space Coast region, FCMG comprises our Company’s integrated healthcare services delivery platform. It is our goal to replicate our integrated platform model in other geographic markets throughout the southeast region of the United States. By centralizing current and future systems and business management functions, including call center operations, scheduling, billing, compliance, accounting, marketing, advertising, legal, information technology and record-keeping at our corporate headquarters, we will maintain efficiencies and economies of scale. We believe our structure will enable our staff physicians to focus on the practice of medicine and the delivery of quality care to the patients we serve, as opposed to having their time and attention focused on business administration responsibilities and day to day business concerns.

#### ***Our Definition of a “Healthcare Services Delivery Platform”***

As there are numerous definitions of a “Healthcare Services Delivery Platform,” we have strictly defined what we believe is qualified to be a First Choice platform to ensure that our high standards for patient care and attention can be fostered and preserved. More specifically, each of our localized platforms will:

- be comprised of one or more medical practices focused on Orthopedic and Spine care and treatment, and be geographically situated near one or more primary hospitals in a given, high growth geographic market;
- employ a team of first-rate physicians, nurse practitioners and care specialists all of whom are subject to our rigorous qualification and hiring process;

Because we have a specific vision for the delivery of optimal patient experience, we continually reinforce the importance of hiring, training, evaluating, compensating, and supporting a workforce committed to patient-centered care. Just as vital, we engage our employees in all aspects of process design and treat them with the same dignity and respect that they are expected to show patients and family members. Central to our long-term growth strategy is attracting and recruiting top tier physicians and care specialists that rank in the top percentile of performance in the local markets we serve; and creating a work environment and corporate culture that serves to engage, motivate, and retain them.

Our systems of operation unburden our providers from the business administration responsibilities associated with operating a medical practice, group, or clinic. More specifically, we believe that physicians will choose employment with us because we can offer them the advantages and benefits of being able to focus exclusively on delivering excellent patient care; enjoying higher income potential; realizing freedom from day-to-day practice administration, marketing and generating new patient leads; having direct access to state-of-the-art technology, diagnostics and ancillary services; and experiencing strong camaraderie with a collaborating cadre of first rate caregivers dedicated to common, patient-centered treatment goals and objectives. The requirements for running the day-to-day business functions of the Centers are the sole responsibility of our management team —and not the physicians.

### ***Medical Service Mix***

Similar to other business models for professional services, our business model is designed to offer a synergistic and profitable medical service mix. By their nature, combinations of medical specialties can generate more revenue than others. Without diagnostic services, many medical practices may find it difficult to maintain their current margins of profitability.

We integrate both medical specialties and ancillary and diagnostic services on our platforms to maintain or enhance our profits. While one specialty may have high reimbursements for their professional services but insufficient volume to profitably support necessary diagnostic equipment, another medical specialty may have lower professional service reimbursements, but high volume of diagnostic services. Operating independently, each specialty group would face retreating profit margins and confront significant challenges to maintaining high service levels with adequate equipment and advanced technologies. However, operating together, they create the optimal mix of professional service fee income, diagnostic equipment procedure income and ancillary service income. Since the combination is more profitable than the stand-alone components, there is a favorable opportunity to sustain profit margins that will allow each of our integrated healthcare services delivery platforms to maintain high service levels with state-of-the-art equipment and ancillary service offerings.

In addition, by offering healthcare services that address a patient's entire episode of care, we believe that we are well positioned to begin offering the government, major health plans and large self-insured employer groups with bundled payment programs for a broad range of whole health. In doing so, we believe we will be able to lower the cost of episodes of care by up to 15% for these payor organizations while achieving optimal outcomes for our patient and margin expansion for our Company.

### ***Scalable Back Office and Economies of Scale***

Fixed cost legacy administrative functions have subjected many established medical centers to a downward spiral of diminishing profit margins and losses. In traditional clinical practices, administrative management, billing, compliance, accounting, marketing, advertising, scheduling, customer service and record keeping functions represent fixed overhead for the practice. There is no opportunity to share this fixed overhead with another practice. The fixed administrative overhead of a practice has the effect of reducing profit margins if the practice experiences declining revenues because of lower patient volumes, lower reimbursements, or patient migration to competitors.

It is our plan that the cost of our "back-office operations" will not increase in direct relation to the growth of our network of integrated healthcare delivery platforms, which will allow us to sustain profit margins across our business operations with a cost effective and scalable back office. As the numbers of our care providers and Medical Centers of Excellence increase, the economies of scale for our back-office operations will also increase.

Specifically, we currently provide all the administrative services necessary to support the practice of medicine by our physicians and improve operating efficiencies of our current and future Medical Centers of Excellence:

- ***Recruiting and Credentialing.*** We have proven experience in locating, qualifying, and recruiting experienced physicians. In addition to the verification of credentials, licenses and references of all prospective physician candidates, each caregiver undergoes Level 2 background checks. We maintain a national database of practicing physicians. In addition to our database of physicians, we recruit locally through trade advertising, the American Academy of Orthopedic Surgeons and referrals from our physicians and other stakeholders.
- ***Billing, Collection and Reimbursement.*** We assume responsibility for contracting with third-party payors for all our physicians; and we are responsible for billing, collection and reimbursement for services rendered by our physicians. In all instances, however, we do not assume responsibility for charges relating to services provided by hospitals or other referring physicians with whom we collaborate. Such charges are separately billed and collected by the hospitals or other physicians. The majority of our third-party payors remit by EFT and wire transfers. Accordingly, every aspect of our business is positioned to achieve high productivity, lower administrative headcounts and lower per patient expenses. We provide our physicians with a training curriculum that emphasizes detailed documentation of and proper coding protocol for all procedures performed and services provided; and we provide comprehensive internal auditing processes, all of which are designed to achieve appropriate coding, billing, and collection of revenue for physician services. All our billing and collection operations

are controlled and will continue to be controlled from our business offices located at our corporate headquarters in Melbourne, Florida.

- ***Risk Management and Other Services.*** We maintain a risk management program focused on reducing risk, including the identification and communication of potential risk areas to our medical staff. We maintain professional liability coverage for our group of healthcare professionals. Through our risk management staff, we conduct risk management programs for loss prevention and early intervention in order to prevent or minimize professional liability claims. In addition, we provide a multi-faceted compliance program that is designed to assist our multi-specialty Medical Centers of Excellence fully comply with increasingly complex laws and regulations. We also manage all information technology, facilities management, legal support, marketing support, regulatory compliance, and other services.

Developing and operating additional healthcare services delivery platforms in other geographic areas will take advantage of the economies of scale for our administrative back-office functions. Our business development plan calls for replicating our Melbourne Platform in other cities and states at a pace that will allow us to maintain the same levels of quality and acceptable profitability from each geographic region. We believe that the scalable structure of our administrative back-office functions can efficiently support our expansion plans.

### ***High Technology Infrastructure Supporting High Touch Patient Experiences***

Successful retail models in other industries have proven effective at using telecommunications, remote computing, mobile computing, cloud computing, virtual networks, and other leading-edge technologies to manage geographically diverse operating units. These technologies create an electronically distributed infrastructure which allows a central management team to monitor, direct and control geographically dispersed operating units and subcontractors, including national operations.

We believe that our business model incorporates the best distributed infrastructure supported by these technologies. A central management team monitors, directs and controls our medical operations, and will control our future multi-specialty Medical Centers of Excellence,

Our administrative operations are centered on a secure paperless practice management platform. We utilize a state-of-the-art, cloud-based electronic medical record (“EMR”) management system, which provides ready access to each patient’s test results from anywhere in the world where there is Internet connectivity, including X-Ray and MRI images, diagnosis, patient and doctor notes, visit reports, billing information, insurance coverage, patient identification and personalized care delivery requirements. Our EMR system fully complies with Stages 1 and 2 Meaningful Use standards defined by the Centers for Medicare & Medicaid Services Incentive Programs. These programs govern the use of electronic health records and allow us to earn incentive payments from the U.S. government, pursuant to the Health Information Technology for Economic and Clinical Health (HITECH) Act, which was enacted as part of the American Recovery and Reinvestment Act of 2009.

We intend to grow by replicating our healthcare services delivery platform currently in place in Melbourne, Florida in other geographic markets, and by hiring additional physicians to serve patients in our current and future Medical Centers of Excellence - all of which will be supported by our standardized policies, procedures, and clinic setup guidelines. We believe our administrative functions can be quickly scaled to manage multiple additional centers and/or physicians. As we roll out our business model, we expect our administrative core and clinical model will assist us in maintaining economies of scale for all our localized integrated healthcare systems.

### ***Referral and Partnering Relationships***

Our business model leverages the direct contact and daily interaction that our physicians have with their patients, and emphasizes a patient-centric, shared clinical approach that also serves to address the needs of our various “partners,” including hospitals, third-party payors, referring physicians, our physicians and, most importantly, our patients. Our relationships with our partners are important to our continued success.

### ***Third-Party Payors***

Our relationships with government-sponsored plans, including Medicare and TRICARE, managed care organizations and commercial health insurance payors are vital to our business. We seek to maintain professional working relationships with our third-party payors, streamline the administrative process of billing and collection, and assist our patients and their families in understanding their health insurance coverage and any balances due for co-payments, co-

insurance, deductibles, or out-of-network benefit limitations. In addition, through our quality initiatives and continuing research and education efforts, we have sought to enhance clinical care provided to patients, which we believe benefits third-party payors by contributing to improved patient outcomes and reduced long-term health system costs.

We receive compensation for professional services provided by our physicians to patients based upon established rates for specific services provided, principally from third-party payors. Our billed charges are substantially the same for all parties in a geographic area, regardless of the party responsible for paying the bill for our services. Approximately one-third of our net patient service revenue is received from government-sponsored plans, principally Medicare and TRICARE programs.

Medicare is a health insurance program primarily for people 65 nine months ends of age and older, certain younger people with disabilities and people with end-stage renal disease. The program is provided without regard to income or assets and offers beneficiaries different ways to obtain their medical benefits. The most common option selected today by Medicare beneficiaries is the traditional fee-for-service payment system. Other options include managed care, preferred provider organizations, private fee-for-service, and specialty plans. TRICARE is the healthcare program for U.S. military service members (active, Guard/Reserve, and retired) and their families around the world. TRICARE is managed by the Defense Health Agency under leadership of the Assistant Secretary of Defense. Both Medicare and TRICARE compensation rates are generally lower in comparison to commercial health plans. In order to participate in government programs, our Medical Centers of Excellence must comply with stringent and often complex enrollment and reimbursement requirements.

We also receive compensation pursuant to contracts with commercial payors offering a wide variety of health insurance products, such as health maintenance organizations, preferred provider organizations and exclusive provider organizations that are subject to various state laws and regulations, as well as self-insured organizations subject to federal Employee Retirement Income Security Act (“ERISA”) requirements. We seek to secure mutually agreeable contracts with payors that enable our physicians to be listed as in-network participants within the payors’ provider networks.

If we do not have a contractual relationship with a health insurance payor, we generally bill the payor our full billed charges. If payment is less than billed charges, we bill the balance to the patient, subject to state and federal laws regulating such billing. Although we maintain standard billing and collections procedures, we also provide discounts and/or payment option plans in certain hardship situations where patients and their families do not have the financial resources necessary to pay the amount due at the time services are rendered. Any amounts written-off related to private-pay patients are based on the specific facts and circumstances related to each individual patient account and are reviewed and approved by senior management.

Many of our health and wellness programs are cash pay from the individual patient and generally earn higher margins.

### **Referring Physicians and Practice Groups**

Our relationships with our referring physicians and referring practice groups are critical to our success. Our physicians seek to establish and maintain long-term professional relationships with referring physicians in the communities where we practice. We believe that our community presence, through our hospital coverage and Medical Centers of Excellence, assists referring physicians with further enhancing their practices by providing well-coordinated and highly responsive care to their patients who require our musculoskeletal services, diagnostic services, and rehabilitative care.

### **Government Regulation**

The healthcare industry is governed by a framework of federal and state laws, rules and regulations that are extensive and complex and for which, in many cases, the industry has the benefit of only limited judicial and regulatory interpretation. If one of our physicians or physician practices is found to have violated these laws, rules or regulations, our business, financial condition, and results of operations could be materially adversely affected. Moreover, the Affordable Care Act signed into law in March 2010 contains numerous provisions that are reshaping the United States healthcare delivery system, and healthcare reform continues to attract significant legislative interest, regulatory activity, new approaches, legal challenges, and public attention that create uncertainty and the potential for additional changes. Healthcare reform implementation, additional legislation or regulations, and other changes in government policy or regulation may affect our reimbursement, restrict our existing operations, limit the expansion of our business or impose additional compliance requirements and costs, any of which could have a material adverse effect on our business, financial condition, results of operations, cash flows and the trading price of our Common Stock.

## ***Fraud and Abuse Provisions***

Existing federal laws governing Medicare, TRICARE, and other federal healthcare programs (the “FHC Programs”), as well as similar state laws, impose a variety of fraud and abuse prohibitions on healthcare companies like us. These laws are interpreted broadly and enforced aggressively by multiple government agencies, including the Office of Inspector General of the Department of Health and Human Services, the Department of Justice (the “DOJ”) and various state authorities.

The fraud and abuse laws include extensive federal and state regulations applicable to our financial relationships with hospitals, referring physicians and other healthcare entities. In particular, the federal anti-kickback statute prohibits the offer, payment, solicitation, or receipt of any remuneration in return for either referring Medicare, TRICARE or other FHC Program business, or purchasing, leasing, ordering, or arranging for or recommending any service or item for which payment may be made by an FHC Program. In addition, federal physician self-referral legislation, commonly known as the “Stark Law,” prohibits a physician from ordering certain designated health services reimbursable by Medicare from an entity with which the physician has a prohibited financial relationship. These laws are broadly worded and, in the case of the anti-kickback statute, have been broadly interpreted by federal courts, and potentially subject many healthcare business arrangements to government investigation and prosecution, which can be costly and time consuming.

There are a variety of other types of federal and state fraud and abuse laws, including laws authorizing the imposition of criminal, civil and administrative penalties for filing false or fraudulent claims for reimbursement with government healthcare programs. These laws include the civil False Claims Act (“FCA”), which prohibits the submitting of or causing to be submitted false claims to the federal government or federal government programs, including Medicare, the TRICARE program for military dependents and retirees, and the Federal Employees Health Benefits Program. The FCA also applies to the improper retention of known over payments and includes “whistleblower” provisions that permit private citizens to sue a claimant on behalf of the government and thereby share in the amounts recovered under the law and to receive additional remedies.

In addition, federal and state agencies that administer healthcare programs have at their disposal statutes, commonly known as “civil money penalty laws,” that authorize substantial administrative fines and exclusion from government programs in cases where an individual or company that filed a false claim, or caused a false claim to be filed, knew or should have known that the claim was false or fraudulent. As under the FCA, it often is not necessary for the agency to show that the claimant had actual knowledge that the claim was false or fraudulent in order to impose these penalties.

If we were excluded from any government-sponsored healthcare programs, not only would we be prohibited from submitting claims for reimbursement under such programs, but we also would be unable to contract with other healthcare providers, such as hospitals, to provide services to them. It could also adversely affect our ability to contract with, or to obtain payment from, non-governmental payors.

## ***Government Reimbursement Requirements***

In order to participate in the Medicare program, we must comply with stringent and often complex enrollment and reimbursement requirements. These programs provide for reimbursement on a fee-schedule basis rather than on a charge-related basis, we generally cannot increase our revenue by increasing the amount we charge for our services. To the extent our costs increase, we may not be able to recover our increased costs from these programs, and cost containment measures and market changes in non-governmental insurance plans have generally restricted our ability to recover, or shift to non-governmental payors, these increased costs. In attempts to limit federal and state spending, there have been, and we expect that there will continue to be, several proposals to limit or reduce Medicare reimbursement for numerous services.

## ***HIPAA and Other Privacy Laws***

Numerous federal and state laws, rules and regulations govern the collection, dissemination, use and confidentiality of protected health information, including the federal Health Insurance Portability and Accountability Act of 1996, as amended (“HIPAA”), and its implementing regulations, violations of which are punishable by monetary fines, civil penalties and, in some cases, criminal sanctions. As part of our medical record keeping, third-party billing, research, and other services, we and our affiliated practices collect and maintain protected health information on the patients that we serve.

Health and Human Services Security Standards require healthcare providers to implement administrative, physical, and technical safeguards to protect the integrity, confidentiality and availability of individually identifiable health information that is electronically received, maintained, or transmitted (including between us and our affiliated practices). We have implemented security policies, procedures and systems designed to facilitate compliance with the HIPAA Security Standards.

In February 2009, Congress enacted the Health Information Technology for Economic and Clinical Health Act (“HITECH”) as part of the American Recovery and Reinvestment Act (“ARRA”). Among other changes to the law governing protected health information, HITECH strengthens and expands HIPAA, increases penalties for violations, gives patients new rights to restrict uses and disclosures of their health information, and imposes several privacy and security requirements directly on our “Business Associates,” which are third-parties that perform functions or services for us or on our behalf.

In addition to the federal HIPAA and HITECH requirements, numerous other state and certain other federal laws protect the confidentiality of patient information, including state medical privacy laws, state social security number protection laws, human subjects research laws and federal and state consumer protection laws. In some cases, state laws are more stringent than HIPAA and therefore, are not preempted by HIPAA.

### ***Environmental Regulations***

Our healthcare operations generate medical waste that must be disposed of in compliance with federal, state, and local environmental laws, rules, and regulations. Our office-based operations are subject to compliance with various other environmental laws, rules, and regulations. Such compliance does not, and we anticipate that such compliance will not materially affect our capital expenditures, financial position, or results of operations.

### ***Compliance Program***

We maintain a compliance program that reflects our commitment to complying with all laws, rules, and regulations applicable to our business and that meets our ethical obligations in conducting our business (the “Compliance Program”). We believe our Compliance Program provides a solid framework to meet this commitment and our obligations as a provider of healthcare services, including:

- a Compliance Committee consisting of our senior executives;
- our *Code of Ethics*, which is applicable to our employees, officers, and directors;
- a disclosure program that includes a mechanism to enable individuals to disclose on a confidential or anonymous basis to our Chief Executive Officer, or any person who is not in the disclosing individual’s chain of command, issues or questions believed by the individual to be a potential violation of criminal, civil, or administrative laws;
- an organizational structure designed to integrate our compliance objectives into our corporate offices and Medical Centers of Excellence; and
- education, monitoring, and corrective action programs, including a disclosure policy designed to establish methods to promote the understanding of our Compliance Program and adherence to its requirements.

The foundation of our Compliance Program is our *Code of Ethics* which is intended to be a comprehensive statement of the ethical and legal standards governing the daily activities of our employees, affiliated professionals, independent contractors, officers, and directors. All our personnel are required to abide by, and are given thorough education regarding, our *Code of Ethics*. In addition, all employees are expected to report incidents that they believe in good faith may be in violation of our *Code of Ethics*.

### ***Legal Proceedings***

From time to time, we may become involved in lawsuits and legal proceedings which arise in the ordinary course of business including potential disputes with patients. However, litigation is subject to inherent uncertainties,

and an adverse result in these or other matters may arise from time to time that may harm our business. Our contracts with hospitals generally require us to indemnify them and their affiliates for losses resulting from the negligence of our care providers.

Although we currently maintain liability insurance coverage intended to cover professional liability and certain other claims, we cannot assure that our insurance coverage will be adequate to cover liabilities arising out of claims asserted against us in the future where the outcomes of such claims are unfavorable to us. Liabilities in excess of our insurance coverage, including coverage for professional liability and certain other claims, could have a material adverse effect on our business, financial condition, and results of operations.

## **Our Headquarters**

Our corporate headquarters is located in the heart of downtown Melbourne, close to all major hospitals at 95 Bulldog Blvd, Suite 202, Melbourne, Florida 32901. Our corporate website is [www.myfchs.com](http://www.myfchs.com).

## **Employees**

As of September 31, 2023, we employed sixteen people.

## **ITEM 1A. RISK FACTORS**

The risk factors discussed below could cause our actual results to differ materially from those expressed in any forward-looking statements. Although we have attempted to list comprehensively these crucial factors, we caution you that other factors may in the future prove to be important in affecting the results of operations. New factors First Choice Healthcare from time to time and it is not possible for us to predict all of these factors, nor can we assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

The risks described below set forth what we believe to be the most material risks associated with the purchase of our Common Stock. Before you invest in our Common Stock, you should carefully consider these risk factors, as well as the other information contained in this report.

### **CEO Indictment**

On November 15, 2018, the Company's CEO, Chris Romandetti, Sr., was arrested on criminal and civil charges of conspiracy to commit securities fraud, conspiracy to commit wire fraud, securities fraud, and conspiracy to commit money laundering brought in the United States District Court for the Eastern District of New York. As a result of his arrest, the Company's Board of Directors placed Mr. Romandetti on indefinite administrative leave.

On September 28, 2018, the Company's Board of Directors notified Chris Romandetti, Sr., the Company's President and CEO who had been on administrative leave since November 15, 2018, of the termination, effective September 28, 2018, of his March 20, 2014 Employment Agreement with the Company and his employment thereunder for Cause, as defined thereunder, due to material, gross and willful misconduct in connection with his employment duties under the Employment Agreement demonstrated by his actions that provided a basis for a grand jury indictment against him and a Securities and Exchange Commission lawsuit against him.

### **Going Concern**

During the financial nine months ended September 31, 2023, the Company experienced operating losses of approximately \$9.5 million and corresponding cash outflows from operations of \$6.3 million. This performance reflected challenges that confront a growing company in the healthcare market such as growing referral bases and negotiating favorable contract rates with third party payors for services rendered as well as the negative impact of the CEO indictment in November 2018 and the bankruptcy from June 2020. As a result of the CEO's actions the Company has been subject to litigation as well as incurring damage to its relationships with its employees and referral sources. The Company's ability to continue as a going concern is dependent upon the success of its continuing efforts to grow its revenue base, reduce operating costs, especially as related to physician services, and access additional sources of capital, and/or sell assets. The Company believes that it will be successful in repairing its relationships with employees and referral sources, generating growth and improved profitability resulting in improved cash flows from operations. Additionally, headcount was reduced in October 2022 to generate reductions in operating costs.

However, in order to execute the Company's business development plan, which there can be no assurance we will achieve, the Company may need to raise additional funds through public or private equity offerings, debt financings, corporate collaborations or other means and potentially reduce operating expenditures. If the Company is unable to secure additional capital, it may have to curtail its business development initiatives and take additional measures to reduce costs in order to conserve its cash, thus raising substantial doubt about its ability to continue as a going concern more than one nine months ended from the date of issuance of the 2023 financial statements included in this filing.

## **GENERAL RISKS REGARDING OUR HEALTHCARE SERVICES BUSINESS**

*We have a limited operating history that impedes our ability to evaluate our potential future performance and strategy.*

With our current Medical Centers of Excellence in Melbourne serving as our "Healthcare Services Delivery Platform" model, we plan to replicate this model in targeted geographic markets, principally in the southeastern region of the U.S. Our limited operating history makes it difficult for us to evaluate our future business prospects and make decisions based on estimates of our future performance. To address these risks and uncertainties, we must do the following:

- Successfully execute our business strategy to establish and extend the "First Choice Healthcare Solutions" brand and reputation as a profitable, well-managed enterprise committed to delivering quality and cost-effective healthcare primarily in parts of the southeastern United States and then pursue select other U.S. markets;
- Respond to competitive developments;
- Effectively and efficiently integrate new Medical Centers of Excellence into integrated healthcare systems;
- Provide providers with a compelling alternative to independent medical practice management or hospital employment; and
- Attract, integrate, retain, and motivate qualified personnel.

We cannot be certain that our business strategy will be successful or that we will successfully address these risks. In the event that we do not successfully address these risks, our business, prospects, financial condition, and results of operations may be materially and adversely affected.

*Acquisitions involve risks that could adversely affect our business/internal controls.*

As part of our growth strategy, First Choice Healthcare Solutions regularly considers strategic transactions with the expectation that such transactions will result in numerous benefits, including, among others, an expanded range of healthcare services to patients in the community, cost savings and increased profitability of the businesses by improving operating efficiencies. Achieving the anticipated benefits is subject to a number of uncertainties, including whether we integrate our acquired companies in an efficient and effective manner, and general competitive factors in the marketplace. Failure to achieve these anticipated benefits could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and resources.

In addition, effective internal controls are necessary for us to provide reliable and accurate financial reports and to effectively prevent fraud. The integration of acquired businesses is likely to result in our systems and controls becoming increasingly complex and more difficult to manage.

We devote significant resources and time to comply with the internal control over financial reporting requirements of the Sarbanes-Oxley Act of 2002. However, we cannot be certain that these measures will ensure that we design, implement, and maintain adequate control over our financial processes and reporting in the future, especially in the context of acquisitions or assuming management control over other businesses. Any difficulties in the assimilation of acquired businesses into our Company's control system could harm our operating results or cause us to fail to meet our financial reporting obligations. Inferior internal controls could also cause investors to lose confidence in our Company's reported financial information, which could have a negative effect on the trading price of First Choice's stock and our access to capital.

***We are implementing a strategy to grow our business by hiring additional physicians to create localized integrated healthcare systems comprised of Medical Centers of Excellence in select U.S. markets, which requires significant additional capital and may not generate income in the short term future as it takes time for each physician to establish a patient following in a new community.***

We intend to grow our business by hiring additional physicians to create Medical Centers of Excellence or to acquire certain assets of well-established practices in select U.S. markets. We estimate the cost to create each additional Medical Center of Excellence to be approximately \$6-8 million. Although we may raise funds through equity offerings to implement our growth strategy, these funds may not be adequate to offset all the expenses we incur in expanding our business. We will need to generate revenues to offset expenses associated with our growth, and we may be unsuccessful in achieving sufficient revenues, despite our attempts to grow our business. If our growth strategies do not result in sufficient revenues and income, we may have to abandon our plans for further growth and/or cease operations, which could have a material and adverse effect on our business, prospects, and financial condition.

***In order to pursue our business strategy, we will need to raise additional capital. If we are unable to raise additional capital, our business may fail.***

We may need to raise additional capital to pursue our business plan, which includes hiring additional physicians in order to expand our business operations and to acquire or develop new Medical Centers of Excellence and localized integrated healthcare systems. We believe that we have access to capital resources through possible public or private equity offerings, debt financing, corporate collaborations, or other means. If the economic climate in the United States does not continue to improve or further deteriorates, our ability to raise additional capital could be negatively impacted. If we are unable to secure additional capital, we may be required to curtail our initiatives and take additional measures to reduce costs in order to conserve our cash in amounts sufficient to sustain operations and meet our financial obligations.

On February 6, 2018, the Company entered into a strategic partnership with Steward Health Care System (“Steward”). As part of the strategic partnership, Steward made an investment into the Company in the amount of \$7.5 million for five million shares, allowing the Company to continue to expand its business model and geographic footprint nationally. On March 1, 2018, the Company issued five (5) million shares of common stock in exchange for cash proceeds of \$7.5 million.

On or after April 1, 2023, Steward has the option to sell at its sole discretion fifty percent (50%) of the shares to the Company one-time during each of the subsequent two (2) calendar nine months ends and the Company will have the obligation to purchase these shares at a price equal to the original purchase price per share. If the market capitalization of the Company is equal to or more than \$100 million the Company’s obligation to buy the shares shall automatically be terminated. As part of our final decree in bankruptcy, the put option in the agreement was eliminated.

***We may not be able to achieve the expected benefits from opening new Medical Centers of Excellence, which would adversely affect our financial condition and results.***

We plan to rely on hiring additional physicians to create the FCHS-branded Medical Center of Excellence as a method of expanding our business. If we do not successfully integrate such new Medical Centers of Excellence, we may not realize anticipated operating advantages and cost savings. The integration of these new Medical Centers of Excellence into our business operations involves a number of risks, including:

- Demands on management related to the increase in our Company’s size with the establishment of each new Medical Center of Excellence, which is crucial to our business plan;
- The diversion of management’s attention from the management of daily operations to the integration of operations of the new Medical Centers of Excellence;
- Difficulties in the assimilation and retention of employees;
- Potential adverse effects on operating results; and
- Challenges in retaining patients from the new physicians.

Further, the successful integration of the new physicians will depend upon our ability to manage the new physicians and to eliminate redundant and excess costs. Difficulties in integrating new physicians may not be able to achieve the cost savings and other size-related benefits that we hoped to achieve, which would harm our financial condition and operating results.

***If we are unable to attract and retain qualified medical professionals, our ability to maintain operations at our existing Medical Centers of Excellence, attract patients or open new multi-specialty Medical Centers of Excellence could be negatively affected.***

We generate our revenues through physicians and medical professionals who work for us to perform medical services and procedures. The retention of those physicians and medical professionals is a critical factor in the success of our medical multi-specialty Centers, and the hiring of qualified physicians and medical professionals is a critical factor in our ability to launch new multi-specialty Medical Centers of Excellence successfully. However, at times it may be difficult for us to retain or hire qualified physicians and medical professionals. If we are unable consistently to hire and retain qualified physicians and medical professionals, our ability to open new Centers, maintain operations at existing medical multi-specialty Centers, and attract patients could be materially and adversely affected.

***We may have difficulties managing our Company's growth, which could lead to higher operating losses, or we may not grow at all.***

Rapid growth could strain our human and capital resources, potentially leading to higher operating losses. Our ability to manage operations and control growth will be dependent upon our ability to raise and spend capital to successfully attract, train, motivate, retain, and manage new employees and continue to update and improve our management and operational systems, infrastructure and other resources, financial and management controls, and reporting systems and procedures. Should we be unsuccessful in accomplishing any of these essential aspects of our growth in an efficient and timely manner, then management may receive inadequate information necessary to manage our operations, possibly causing additional expenditures and inefficient use of existing human and capital resources or we otherwise may be forced to grow at a slower pace that could slow or eliminate our ability to achieve and sustain profitability. Such slower than expected growth may require us to restrict or cease our operations and go out of business.

***Since a significant percentage of our operating expenses are fixed, a relatively small decrease in revenues could have a significant negative impact on our financial results.***

A significant percentage of our expenses are currently fixed, meaning they do not vary significantly with our increase or decrease in revenues. Such expenses include, but will not be limited to, debt service and capital lease payments, rent and operating lease payments, salaries, maintenance, and insurance. As a result, a small reduction in the prices we charge for our services or procedure volume could have a disproportionately negative effect on our financial results.

***Loss of key executives, limited experience in operating a public company and failure to attract qualified managers and salespeople could limit our growth and negatively impact on our operations.***

On September 28, 2018, the Company's Board of Directors notified Chris Romandetti, Sr., the Company's President and CEO who had been on administrative leave since November 15, 2018, of the termination, effective September 28, 2018, of his March 20, 2014 Employment Agreement with the Company and his employment thereunder for Cause, as defined thereunder, due to material, gross and willful misconduct in connection with his employment duties under the Employment Agreement demonstrated by his actions that provided a basis for a grand jury indictment against him and a Securities and Exchange Commission lawsuit against him.

We depend upon our management team to a substantial extent. In particular, we depend upon Lance Friedman and Phillip J. Keller our President, Chief Executive Officer, and Chief Financial Officer, for their skills, experience and knowledge of our Company and industry contacts. The loss of Mr. Keller or other members of our management team could have a material adverse effect on our business, results of operations or financial condition.

We require medical clinic managers, medical professionals, and marketing people with experience in our industry to operate and market our medical clinic services. It is impossible to predict the availability of qualified people or the compensation levels that will be required to hire them. The loss of the services of any member of our senior management or our inability to hire qualified people at economically reasonable compensation levels could adversely affect our ability to operate and grow our business.

***We may be subject to medical professional liability risks, which could be costly and could negatively impact our business and financial results.***

We may be subject to professional liability claims. Although there currently are no known hazards associated with any of our procedures or technologies when performed or used properly, hazards may be discovered in the future. For example, there is a risk of harm to a patient during an MRI if the patient has certain types of metal implants or cardiac pacemakers within his or her body. Although patients are screened to safeguard against this risk, screening may nevertheless fail to identify the hazard. There also is potential risk to patients treated with therapy equipment secondary to inadvertent or excessive over- or under- exposure to radiation. We maintain professional liability insurance with coverage that we believe is consistent with industry practice and appropriate considering the risks attendant to our business. However, any claim made against us could be costly to defend against, resulting in a substantial damage award against us and diverting the attention of our management team from our operations, which could have an adverse effect on our financial performance.

***The healthcare regulatory and political framework is uncertain and evolving.***

Healthcare laws and regulations may change significantly in the future which could adversely affect our financial condition and results of operations. We continuously monitor these developments and modify our operations from time to time as the legislative and regulatory environment changes.

***The healthcare industry is highly regulated, and government authorities may determine that we have failed to comply with applicable laws or regulations.***

The healthcare industry and physicians' medical practices, including the healthcare and other services that we and our affiliated physicians provide, are subject to extensive and complex federal, state, and local laws and regulations, compliance with which imposes substantial costs on us. Of particular importance are the provisions summarized as follows:

- federal laws (including the federal False Claims Act) that prohibit entities and individuals from knowingly or recklessly making claims to Medicare and other government programs that contain false or fraudulent information or from improperly retaining known overpayments;
- a provision of the Social Security Act, commonly referred to as the "anti-kickback" law, that prohibits the knowing and willful offer, payment, solicitation or receipt of any bribe, kickback, rebate or other remuneration, in cash or in kind, in return for the referral or recommendation of patients for items and services covered, in whole or in part, by federal healthcare programs, such as Medicare;
- a provision of the Social Security Act, commonly referred to as the Stark Law, that, subject to limited exceptions, prohibits physicians from referring Medicare patients to an entity for the provision of certain "designated health services" if the physician or a member of such physician's immediate family has a direct or indirect financial relationship (including a compensation arrangement) with the entity;
- similar state law provisions pertaining to anti-kickback, fee splitting, self-referral, and false claims issues, which typically are not limited to relationships involving federal payors;
- provisions of HIPAA that prohibit knowingly and willfully executing a scheme or artifice to defraud a healthcare benefit program or falsifying, concealing, or covering up a material fact or making any materially false, fictitious, or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items, or services;
- state laws that prohibit general business corporations from practicing medicine, controlling physicians' medical decisions, or engaging in certain practices, such as splitting fees with physicians;
- federal and state laws that prohibit providers from billing and receiving payment from Medicare and TRICARE for services unless the services are medically necessary, adequately, and accurately documented and billed using codes that accurately reflect the type and level of services rendered;
- federal and state laws pertaining to the provision of services by non-physician practitioners, such as advanced nurse practitioners, physician assistants and other clinical professionals, physician supervision

of such services and reimbursement requirements that may be dependent on the manner in which the services are provided and documented; and

- federal laws that impose civil administrative sanctions for, among other violations, inappropriate billing of services to federally funded healthcare programs, inappropriately reducing hospital care lengths of stay for such patients or employing individuals who are excluded from participation in federally funded healthcare programs.

In addition, we believe that our business will continue to be subject to increasing regulation, the scope and effect of which we cannot predict.

***Federal and state laws that protect the privacy and security of protected health information may increase our costs and limit our ability to collect and use that information and subject us to penalties if we are unable to fully comply with such laws.***

Numerous federal and state laws and regulations govern the collection, dissemination, use, security, and confidentiality of individually identifiable health information. These laws include:

- Provisions of HIPAA that limit how healthcare providers may use and disclose individually identifiable health information, provide certain rights to individuals with respect to that information and impose certain security requirements;
- HITECH, which strengthens and expands the HIPAA Privacy Standards and Security Standards;
- Other federal and state laws restricting the use and protecting the privacy and security of protected information, many of which are not preempted by HIPAA;
- Federal and state consumer protection laws; and
- Federal and state laws regulating the conduct of research with human subjects.

As part of our medical record keeping, third-party billing, research, and other services, we collect and maintain protected health information in paper and electronic format. New protected health information standards, whether implemented pursuant to HIPAA, HITECH, congressional action or otherwise, could have a significant effect on the manner in which we handle healthcare-related data and communicate with payors, and compliance with these standards could impose significant costs on us or limit our ability to offer services, thereby negatively impacting the business opportunities available to us.

If we do not comply with existing or new laws and regulations related to protected health information, we could be subject to remedies that include monetary fines, civil or administrative penalties or criminal sanctions.

***Changes in the rates or methods of third-party reimbursements for medical services could result in reduced demand for our services or create downward pricing pressure, which would result in a decline in our revenues and harm our financial position.***

Third-party payors such as Medicare, TRICARE, and commercial health insurance companies, may change the rates or methods of reimbursement for the services we currently provide or plan to provide and such changes could have a significant negative impact on those revenues. At this time, we cannot predict the impact that rate reductions will have on our future revenues or business. Moreover, patients on whom we currently depend, and expect to continue to depend on, for the majority of our medical clinic revenues generally rely on reimbursement from third-party payors for the payment of medical services. If our patients begin to receive decreased reimbursement from third-party payors for their medical services and as such are forced to pay for the remainder of their medical services out of pocket, then a reduced demand for our services or downward pricing pressures could result, which could have a material impact on our financial position.

Future requirements limiting access to or payment for medical services may negatively impact our future revenues or business. If legislation substantially changes the way healthcare is reimbursed by both governmental and commercial insurance carriers, it may negatively impact payment rates for certain medical services. We cannot predict at this time whether or the extent to which other proposed changes will be adopted, if any, or how these or future changes will affect the demand for our services.

***Managed care organizations may prevent their members from using our services which would cause us to lose current and prospective patients.***

Healthcare providers participating as providers under managed care plans may be required to refer medical services to specific medical clinics depending on the plan in which each covered patient is enrolled. These requirements may inhibit their members from using our medical services in some cases. The proliferation of managed care may prevent an increasing number of their members from using our services in the future, which would cause our revenues to decline.

***We may need to restructure our services and practices if our methods are determined not to comply with the Stark Law.***

The Ethics in Patient Referral Act of 1989, as amended (the “Stark Law”), is a civil statute that generally (i) prohibits physicians from making referrals for designated health services to entities in which the physicians have a direct or indirect financial relationship and (ii) prohibits entities from presenting or causing to be presented claims or bills to any individual, third-party payor, or other entity for designated health services furnished pursuant to a prohibited referral. Under Stark Law, a physician may not refer patients for certain designated health services to entities with which the physician has a direct or indirect financial relationship, unless allowed under an enumerated exception. Under the Stark Law, there are numerous statutory and regulatory exceptions for certain otherwise prohibited financial relationships. A transaction must fall entirely within an exception to be lawful under the Stark Law.

We believe that any referrals between or among our Company, the physicians providing services and the facilities where procedures are performed will be for services compliant under Stark Law. If these arrangements are found to violate the Stark Law, we may be required to restructure such services or be subject to civil or criminal fines and penalties, including the exclusion of our Company, the physicians, and the facilities from the Medicare programs, any of which events could have a material adverse effect on our business, financial condition and results of operations.

Some states have enacted statutes, similar to the federal Anti-Kickback Statute and Stark Law, applicable to our operations because they cover all referrals of patients regardless of the payer or type of healthcare service provided. These state laws vary significantly in their scope and penalties for violations. Although we have endeavored to structure our business operations to be in material compliance with such state laws, authorities in those states could determine that our business practices are in violation of their laws, which would have a material adverse effect on our business, financial condition, and results of operations.

***We are subject to federal and state restrictions on advertising that may adversely affect our ability to advertise our Centers and services.***

The growth of our healthcare business is dependent on advertising, which is subject to regulation by the Federal Trade Commission (“FTC”). We believe that we have structured our advertising practices to be in material compliance with FTC regulations and guidance. However, we cannot be certain that the FTC will not determine that our advertising practices are in violation of such laws and guidance.

In addition, the laws of many states restrict certain advertising practices by and on behalf of physicians. Many states do not offer clear guidance on the bounds of acceptable advertising practices or on the limits of advertising provided by management companies on behalf of physicians. Although we have endeavored to structure our advertising practices to be in material compliance with such state laws, authorities in those states could determine that our advertising practices are in violation of those laws.

***Health Insurance Portability and Accountability Act (“HIPAA”) compliance is critically import to our continuing operations.***

Our Company and our physicians are covered entities under HIPAA if we or our physicians provide services that are reimbursable under Medicare or other third-party payors (e.g., orthopedic services). Although the covered healthcare providers themselves are primarily liable for HIPAA compliance, as a “business associate” to these covered entities we are bound indirectly to comply with the HIPAA privacy regulations, and we are directly bound to comply with certain of the HIPAA security regulations. Although we cannot predict the total financial or other impact of these privacy and security regulations on our business, compliance with these regulations could require us to incur substantial expenses, which could have a material adverse effect on our business, financial condition, and results of

operations. In addition, we will continue to remain subject to any state laws that are more restrictive than the privacy regulations issued under the Administrative Simplification Provisions.

***If technological changes occur rendering our equipment or services obsolete, or increase our cost structure, we may need to make significant capital expenditures or modify our business model, which could cause our revenues or results of operations to decline.***

Industry competitive or clinical factors, among others, may require us to introduce alternate medical technology for the services and procedures we offer than those that may currently be in use in our medical multi-specialty Centers. Introducing such technology could require significant capital investment or force us to modify our business model in such a way as to make our revenues or results of operations decline. An increase in costs could reduce our ability to maintain our margins. An increase in prices could adversely affect our ability to attract new patients. If we are unable to obtain or maintain state of the art equipment that is essential to the professional medical services provided by our clinics, our business, prospects, results of operations and financial condition could be materially and adversely affected.

***We rely significantly on information technology and any failure, inadequacy, interruption, or security lapse of that technology, including any cybersecurity incidents, could harm our ability to operate our business effectively.***

Our internal computer systems and those of third parties with which we contract may be vulnerable to damage from cyber-attacks, computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures despite the implementation of security measures. System failures, accidents or security breaches could cause interruptions in our operations and could result in a material disruption of our business operations, in addition to possibly requiring substantial expenditure of resources to remedy. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and our collections from third-party payors could be delayed.

***If we are forced to lower our procedure prices in order to compete with a better-financed or lower-cost provider of medical healthcare services, our medical revenues and results of operations could decline.***

Our current and future multi-specialty Medical Centers of Excellence will compete with medical clinics and other technologies currently under development. Presently we compete with other clinics, hospitals, hospital-affiliated group entities and physician group practices.

Some of our current competitors, or other companies which may choose to enter the industry in the future, may have greater financial, technical, managerial, marketing, or other resources and experience than we do and may be able to compete more effectively. Similarly, competition could increase if the market for healthcare services does not experience growth, and existing providers compete for market share. Additional competition may develop, particularly if the price for services or reimbursement decreases. Our management, operations, strategy, and marketing plans may not be successful in meeting this competition.

If more competitors begin to offer healthcare services in our geographic markets, we might find it necessary to reduce the prices we charge, particularly if competitors offer the services at lower prices than we do. If that were to happen or we were not successful in cost effectively acquiring patients for our procedures, we may not be able to make up for the reduced gross profit margin by increasing the number of procedures that we perform, and our business, financial condition and results from operations could be adversely affected.

***A decline in consumer disposable income could adversely affect the number of procedures performed, which could have a negative impact on our financial results.***

After payments by commercial healthcare insurance companies or government programs, including Medicare and TRICARE, the remaining portion of the cost of medical care is paid by the patient. Some of our patients may not have the financial resources to pay for the services they receive at our Medical Centers of Excellence, or services they may receive at our future Centers, which are not reimbursed by their healthcare provider. Accordingly, our operating results may vary based upon the impact of changes in the disposable income of patients using our services, among other economic factors. A significant decrease in consumer disposable income in a weak economy may result in a decrease in the number of elective medical procedures performed by our current and future Centers, and a related decline in our revenues and profitability. In addition, weak economic conditions may cause some of our patients to experience financial distress or declare bankruptcy, which may negatively impact our accounts receivable and collection experience.

## **RISKS RELATED TO OUR COMMON STOCK.**

### ***There has been a limited trading market for our Common Stock to date.***

While our Common Stock is currently quoted on OTC Markets, Inc., the trading volume is limited. We are quoted on the OTCQB under the trading symbol “FCHS.” It is anticipated that there will continue to be a limited trading market for our Common Stock on the OTCQ pink sheets. A lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. An inactive market may also impair our ability to raise capital by selling shares of capital stock and may impair our ability to acquire other companies or technologies by using Common Stock as consideration.

### ***You may have difficulty trading and obtaining quotations for our Common Stock.***

Our Common Stock may not be actively traded, and the bid and ask prices for our Common Stock on the OTCQ, as our Common Stock is currently quoted, may fluctuate widely. As a result, investors may find it difficult to dispose of, or to obtain accurate quotations of the price of, our securities. This severely limits the liquidity of the Common Stock and would likely reduce the market price of our Common Stock and hamper our ability to raise additional capital.

### ***The market price for our Common Stock may be volatile, and your investment in our Common Stock could decline in value.***

The stock market in general has experienced extreme price and volume fluctuations. The market prices of the securities of healthcare services companies have historically been highly volatile and may be highly volatile in the future. This volatility has often been unrelated to the operating performance of particular companies. The following factors, in addition to other risk factors described in this section, may have a significant impact on the market price of our Common Stock:

- changes in government regulation of the medical industry;
- changes in reimbursement policies of third-party insurance companies, self-insured companies, or government agencies;
- actual or anticipated fluctuations in our operating results;
- changes in financial estimates or recommendations by securities analysts;
- developments involving corporate collaborators, if any;
- changes in accounting principles;
- the loss of any of our key physicians or management personnel, and;
- the indictment of the Company’s former Chief Executive Officer.

In the past, securities class action litigation has often been brought against companies that experience volatility in the market price of their securities. Whether or not meritorious, litigation brought against us could result in substantial costs and a diversion of management’s attention and resources, which could adversely affect our business, operating results, and financial condition.

### ***We have not paid dividends in the past and have no immediate plans to pay dividends.***

We plan to reinvest all of our earnings, to the extent we have earnings, in order to grow, market our services and cover operating costs and to otherwise become and remain competitive. We do not plan to pay any cash dividends with respect to our securities in the near future. We cannot assure you that we would, at any time, generate sufficient surplus cash that would be available for distribution to the holders of our Common Stock as a dividend. Therefore, you should not expect to receive cash dividends on our Common Stock.

***We expect that our quarterly results of operations will fluctuate, and this fluctuation could cause our stock price to decline.***

Our quarterly operating results are likely to fluctuate in the future. These fluctuations could cause our stock price to decline. The nature of our business involves variable factors, such as the timing of the research, development, and regulatory pathways of our product candidates, which could cause our operating results to fluctuate. Due to the possibility of fluctuations in our revenues and expenses, we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance.

***“Penny stock” rules may make buying or selling our securities difficult which may make our stock less liquid and make it harder for investors to buy and sell our securities.***

Trading in our securities is subject to the SEC’s “penny stock” rules and it is anticipated that trading in our securities will continue to be subject to the penny stock rules for the near future. The SEC has adopted regulations that define a penny stock to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. These rules require that any broker-dealer who recommends our securities to persons other than prior customers and accredited investors must, prior to the sale, make a special written suitability determination for the purchaser and receive the purchaser’s written agreement to execute the transaction. Unless an exception is available, the regulations require the delivery, prior to any transaction involving a penny stock, of a disclosure schedule explaining the penny stock market and the risks associated with trading in the penny stock market. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by these requirements may discourage broker-dealers from recommending transactions in our securities, which could severely limit the liquidity of our securities and consequently adversely affect the market price for our securities.

***Our former Chief Executive Officer, Christian C. Romandetti, has significant control over our Common Stock and may be able to control our Company indefinitely.***

As of September 31, 2023, our former Chief Executive Officer currently has beneficial ownership of approximately 20.8% of our outstanding Common Stock. The significant ownership allows Mr. Romandetti to have considerable influence over the outcome of all matters submitted to our stockholders for approval, including the election of directors and the approval of significant corporate transactions.

***Our charter documents and Delaware law may inhibit a takeover that stockholders consider favorable.***

Provisions of our Certificate of Incorporation (“Certificate”) and bylaws and applicable provisions of Delaware law may delay or discourage transactions involving an actual or potential change in control or change in our management, including transactions in which stockholders might otherwise receive a premium for their shares, or transactions that our stockholders might otherwise deem to be in their best interests. The provisions in our Certificate and bylaws:

- limit who may call stockholder meetings;
- do not provide for cumulative voting rights; and
- provide that all vacancies may be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum.

In addition, Section 203 of the Delaware General Corporation Law may limit our ability to engage in any business combination with a person who beneficially owns 15% or more of our outstanding voting stock unless certain conditions are satisfied. The restriction lasts for a period of three months following the share acquisition. These provisions may have the effect of entrenching our management team and may deprive you of the opportunity to sell your shares to potential acquirers at a premium over prevailing prices. The potential inability to obtain a control premium could reduce the price of our Common Stock.

***Failure to achieve and maintain internal controls in accordance with Sections 302 and 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business and stock price.***

If we fail to maintain adequate internal controls or fail to implement required new or improved controls, as we grow or as such control standards are modified, supplemented or amended from time to time; we may not be able

to assert that we can conclude on an ongoing basis that we have effective internal controls over financial reporting. Effective internal controls are necessary for us to produce reliable financial reports and are important in the prevention of financial fraud. If we cannot produce reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and there could be a material adverse effect on our stock price.

#### **ITEM 1B. UNRESLOVED STAFF COMMENTS**

None

#### **ITEM 2. PROPERTIES**

We maintain our principal office at 95 Bulldog Blvd, Suite 202, Melbourne, Florida, 32901.

FCMG Physical Therapy operates two full service physical and occupational therapy clinics. Our original facility is located at 95 Bulldog Blvd, Suite 202 our second facility is at 2030 S Patrick, Indian Harbor Beach, FL 32937; our third is located 6300 North Wickham Road, Melbourne, FL 32940.

#### **ITEM 3. LEGAL PROCEEDINGS**

From time to time, we may become involved in lawsuits and legal proceedings which arise in the ordinary course of business including potential disputes with patients. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Our contracts with hospitals require us to indemnify them and their affiliates for losses resulting from the negligence of our care providers.

Although we currently maintain liability insurance coverage intended to cover professional liability and certain other claims, we cannot assure that our insurance coverage will be adequate to cover liabilities arising out of claims asserted against us in the future where the outcomes of such claims are unfavorable to us. Liabilities in excess of our insurance coverage, including coverage for professional liability and certain other claims, could have a material adverse effect on our business, financial condition, and results of operations.

The Company has denied the allegations and intends to vigorously defend the litigation. However, no assurance can be given that any amounts due by the Company will have a material impact on the Company's financial condition.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable

### **PART II**

#### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our Common Stock is currently quoted under the symbol "FCHS" on the OTCQB, the OTC market tier for companies that report to the SEC.

The following table sets forth, for the period indicated, the quarterly high and low per share sales prices (per share of our Common Stock for each quarter during our last two fiscal nine months ends as reported by OTCQB):

<b>2023</b>	<b>High</b>	<b>Low</b>
First Quarter	\$ 0.09	\$ 0.03
Second Quarter	\$ 0.05	\$ 0.02
Third Quarter	\$ 0.03	\$ 0.02
Fourth Quarter	\$ 0.03	\$ 0.02

<b>2022</b>	<b>High</b>	<b>Low</b>
First Quarter	\$ 0.21	\$ 0.09
Second Quarter	\$ 0.20	\$ 0.13
Third Quarter	\$ 0.19	\$ 0.11
Fourth Quarter	\$ 0.11	\$ 0.05

The above information was obtained from Nasdaq.com. Because these are over-the-counter market quotations, these quotations reflect inter-dealer prices, without retail mark-up, markdown or commissions and may not represent actual transactions.

### **Dividend Policy**

We have never declared or paid any cash dividends on our shares of Common Stock. Under Delaware law, we may declare and pay dividends on our capital stock either out of our surplus, as defined in the relevant Delaware statutes, or if there is no such surplus, out of our net profits for the fiscal nine months ended in which the dividend is declared and/or the preceding fiscal nine months ended. If, however, the capital of our company, computed in accordance with the relevant Delaware statutes, has been diminished by depreciation in the value of our property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, we are prohibited from declaring and paying out of such net profits and dividends upon any shares of our capital stock until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets shall have been repaired. We do not intend to declare or pay any cash dividends on our Common Stock in the foreseeable future. The holders of our Common Stock are entitled to receive only such dividends (cash or otherwise) as may be declared by our Company's Board of Directors

### **Recent Sales of Unregistered Securities**

#### ***Steward HealthCare***

On March 1, 2018, the Company issued five million shares of FCHS stock for \$7.5 million to Steward Physician Contracting Inc., a wholly owned subsidiary of Steward Healthcare. The stock was issued as part of the Company's recently announced strategic partnership with Steward Health Care. As part of the sale, Steward was granted a put option to sell the shares to the Company on or after April 1, 2023, Steward can sell up to fifty percent (50%) of the Shares to the Company, one-time during each of the subsequent two (2) calendar nine months ends. The Company shall have the obligation to accept Purchaser's put notice and purchase the shares at the per share price of the original issues price \$1.50. The put will expire if the Market Capitalization of the Company is equal to or more than \$100,000,000, after the date hereof. As part of the final decree issued in Bankruptcy, the put option was eliminated.

### **Management Discussion and Analysis of the Results of Operation**

The following discussion highlights the principal factors that have affected our financial condition and results of operations, as well as our liquidity and capital resources for the periods described. This discussion should be read in conjunction with our Consolidated Financial Statements and the related notes included in Item 8 of this Form 10-K. This discussion contains forward-looking statements. Please see the explanatory note concerning "Forward-Looking Statements" in Part I of this Annual Report on Form 10-K and Item 1A. Risk Factors for a discussion of the uncertainties, risks and assumptions associated with these forward-looking statements. The operating results for the periods presented were not significantly affected by inflation.

#### ***Overview***

#### **Critical Accounting Policies**

#### ***Basis of Accounting***

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of these consolidated financial statements requires our management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes. Future events and their effects cannot be determined with absolute certainty.

Therefore, the determination of estimates requires the exercise of judgment. We believe the following critical accounting policies affect its more significant judgments and estimates used in the preparation of financial statements.

### ***Revenue Recognition***

On January 1, 2018, the Company adopted the new revenue recognition accounting standard issued by the Financial Accounting Standards Board (“FASB”) and codified in the ASC as Topic 606 (“ASC 606”). The revenue recognition standard in ASC 606 outlines a single comprehensive model for recognizing revenue as performance obligations, defined in a contract with a customer as goods or services transferred to the customer in exchange for consideration, are satisfied. The standard also requires expanded disclosures regarding the Company’s revenue recognition policies and significant judgments employed in the determination of revenue.

The Company applied the modified retrospective approach to all contracts when adopting ASC 606. As a result, at the adoption of ASC 606 what was previously classified as the provision for bad debts in the statement of operations is now reflected as implicit price concessions (as defined in ASC 606) and therefore included as a reduction to net operating revenues in 2018. For changes in credit issues not assessed at the date of service, the Company will prospectively recognize those amounts in other operating expenses in the statement of operations. For periods prior to the adoption of ASC 606, the provision for bad debts has been presented consistent with the previous revenue recognition standards that required it to be presented separately as a component of net operating revenues.

In 2017, the Company recognized revenue when: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed or determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management’s judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

### ***Patient Service Revenue***

Our revenues generally relate to net patient fees received from various payers and patients themselves under contracts in which our performance obligations are to provide services to the patients. Revenues are recorded during the period our obligations to provide services are satisfied. The contractual relationships with patients, in most cases, also involve a third-party payer (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) 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 we provide to the related patients typically specify payments at amounts less than our standard charges and generally provide for payments based upon predetermined rates for services 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.

### ***Stock-Based Compensation***

The Company measures the cost of services received in exchange for an award for equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is re-measured on vesting dates and interim financial reporting dates until the service period is complete. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Stock-based compensation expense is recorded by the Company in the same expense classifications in the consolidated statements of operations, as if such amounts were paid in cash. Upon exercise of a common stock equivalent, the Company issues new shares of common stock out of its authorized shares.

### ***Income Tax***

Deferred taxes are provided on liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it

is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

## Results of Operations

### *Nine months Ended September 30, 2023, as Compared to the Nine Months Ended September 30, 2022*

The following is a discussion of the results of operations for the nine months ended September 30, 2023, compared to the nine months ended September 30, 22.

#### *Revenues*

Total revenue was \$0 for the nine months ended September 30, 23, decreasing 100% from \$925,102 in the prior nine months ended.

#### *Operating Expenses*

Operating expenses include the following:

	YTD Quarter Ended 09/30/2023	YTD Quarter Ended 09/30/2022
Salaries and benefits	\$ 529,064	\$ 4,387,700
Other operating expenses	1,097,679	1,047,416
General and administrative	758,611	1,875,435
Depreciation and amortization	31,499	69,096
Total operating expenses	<u>\$ 2,418,853</u>	<u>\$ 7,379,646</u>

The major components of operating expenses include practice salaries and benefits, practice supplies and other operating costs, depreciation, and general and administrative expenses, which included legal, accounting, and professional fees associated with being a public entity.

Salaries and benefits decreased as a result of the laying off of all of our employed staff.

Other operating expenses increased slightly as a result of the layoffs and lawsuits from former employees...

General and administrative declined as a result of laying off staff and shutting down operational facilities .

Depreciation and amortization decreased due to the sale of unused equipment.

#### *Net Loss from Operations*

Net loss from operations for the nine months ended September 30, 2023, was \$5.8 million compared to \$8.9 million The decrease is the result of the cost cutting initiatives discussed above.

#### *Other Income/Loss*

Total other loss increased to \$(3,254,558) for the nine months ended September 31, 2023, which compared to total income of \$571,645 for the nine months ended September 31, 2022. The increase in loss primarily is due to the gain on the exits of bankruptcy that was recorded in 2022 partially offset by an increase in interest expense in 2023.

#### *Liquidity and Capital Resources*

As of September 31, 2023, we had cash of \$1,470 and \$7,219 and accounts receivable, his compared to cash of \$7,143 and accounts receivable, net of \$1,316,991 the end September 2023.

During the fiscal nine months ended September 31, 2023, the Company experienced operating losses of \$5,765,8127, and corresponding cash outflows from operations of \$4,352,298. The Company's ability to continue as a going concern is dependent upon the success of its continuing efforts to grow its revenue base, reduce operating costs, especially as related to physician services, and access additional sources of capital, and/or sell assets. The Company believes that it will be successful in repairing its relationships with employees and referral sources, generating growth and improved profitability resulting in improved cash flows from operations. Additionally, headcount was reduced in October 2022 to generate reductions in operating costs.

However, in order to execute the Company's business development plan, which there can be no assurance we will achieve, the Company may need to raise additional funds through public or private equity offerings, debt financings, corporate collaborations or other means and potentially reduce operating expenditures. If the Company is unable to secure additional capital, it may be required to curtail its business development initiatives and take additional measures to reduce costs in order to conserve its cash, thus raising substantial doubt about its ability to continue a going concern more than one nine months ended from the date of issuance of the 2018 financial statements included in this filing.

Net cash used in our operating activities for the nine months ended September 31, 2023, totaled \$4,352,298, which compared to net cash used in our operations for the nine months ended September 31, 2022, of \$5,558,893. The decrease in cash used for the nine months ended September 31, 2023, was due primarily to lower sales and reduction in spending.

Net cash flows used in investing activities was \$155,441 for the nine months ended September 31, 2023, compared to \$(50,102) used by investing activities for the nine months ended September 31, 2022.

Net cash provided in financing activities was \$4,191,137 for the nine months ended September 31, 2023, compared to net cash used in financing activities of \$5,639,557 for the nine months ended September 31, 2022. The cash flows used in our financing activities were the result of increased borrowing to support the ongoing operating loss.

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**CONSOLIDATED UNAUDITED BALANCE SHEETS**

	September 30, 2023	December 31, 2022
	(unaudited)	(unaudited)
<b>ASSETS</b>		
Current assets		
Cash	\$ 1,470	\$ 7,219
Accounts receivable, net	92,747	304,873
Accounts receivable, other	-	1,011,128
Prepaid and other current assets	2,987	9,116
Total current assets	<u>97,205</u>	<u>1,332,336</u>
Property, plant and equipment, net	<u>191,801</u>	<u>470,703</u>
Right to use assets, net	<u>2,536,408</u>	<u>4,481,445</u>
Other assets		
Investments	89,991	
Deferred tax asset	111,949	111,949
Deposits	97,589	119,589
Non current assets from discontinued operations (VIE)	-	-
Total other assets	<u>299,529</u>	<u>231,538</u>
Total assets	<u>\$ 3,124,942</u>	<u>\$ 6,516,022</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 7,917,763	\$ 8,843,239
Accounts payable, related party	-	-
Tax payable	215,146	215,146
Line of credit, short term	-	-
Notes payable, current portion	18,266,147	238,726
Operating lease liabilities, short term	315,075	486,806
Unearned revenue	-	-
Total current liabilities	<u>26,714,131</u>	<u>8,983,917</u>
Long term liabilities:		
Deposits held	-	-
PPP Loan Payable	1,283,624	1,283,624
Notes Payable LT	-	-
Operating lease liabilities, long term portion	2,519,858	4,058,455
Convertable Notes	-	13,041,627
Total long term liabilities	<u>3,803,481</u>	<u>18,383,705</u>
Total liabilities	<u>30,517,611</u>	<u>27,367,622</u>
Temporary equity	-	-
Equity		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized, Nil issued and outstanding	-	-
Common Stock Subcribed	35,000	
Common stock, \$0.001 par value; 100,000,000 shares authorized, 32,958,288 and 32,958,288 shares issued; 32,958,288 and 32,958,288 shares outstanding as of September 30, 2022 and September 30, 2021, respectively	32,958	32,958
Additional paid in capital	33,867,853	33,867,853
Treasury stock, 74,453 common shares, at cost	-	-
Accumulated deficit	<u>(61,328,479)</u>	<u>(55,552,410)</u>

Total stockholders' equity attributable to First Choice Healthcare Solutions, Inc.	(27,392,668)	(20,851,598)
Non-controlling interest (note 10)	-	-
Total equity	<u>(27,392,668)</u>	<u>(20,851,598)</u>
Total liabilities and equity	<u>\$ 3,124,942</u>	<u>\$ 6,516,022</u>

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC**  
**CONSOLIDATED UNAUDITED STATEMENTS OF OPERATIONS**

	For the nine months ended September 30,	
	<u>2023</u>	<u>2022</u>
Revenues:		
	\$	
Net patient service revenue	(13,450)	\$ 924,895
Rental revenue	-	207
Total revenue	<u>(13,450)</u>	<u>925,102</u>
Operating expenses:		
Salaries and benefits	529,064	4,387,700
Other operating expenses	1,097,679	1,047,416
General and administrative	758,611	1,875,435
Impairment of goodwill, patents and patient lists	-	-
Depreciation and amortization	<u>33,499</u>	<u>69,096</u>
Total operating expenses	<u>2,418,853</u>	<u>7,379,646</u>
Net loss from operations	(2,432,303)	(6,454,544)
Other income (expense):		
Loss on sale of equipment	(82,051)	(30,578)
Loss on Disposal of Crane Creek		
PPP Loan Forgiveness	-	-
Miscellaneous income (expense)		
Gain on Bankruptcy	-	32,158
Loss on disposal of VIE	-	-
Interest expense, net	<u>(3,254,558)</u>	<u>(2,488,052)</u>
Total other income	<u>(3,336,609)</u>	<u>(2,486,472)</u>
Net loss from continuing operations before provision for income taxes	(5,768,912)	(8,941,016)
Income taxes (benefit)	-	-
Net loss from continuing operations	(5,768,912)	(8,941,016)
Income from discontinued operations	-	-
Net (loss) income	(5,768,912)	(8,941,016)
Non-controlling interest (note 10)	-	-
NET (LOSS) INCOME ATTRIBUTABLE TO FIRST CHOICE HEALTHCARE SOLUTIONS, INC.	<u>\$ (5,768,912)</u>	<u>\$ (8,941,016)</u>
Net loss per common share, basic and diluted		
	\$	\$
Continuing operations	(0.18)	(0.27)
Discontinued operations	-	-

Total	<u>\$</u> <u>(0.18)</u>	<u>\$</u> <u>(0.27)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>32,958,288</u>	<u>32,958,288</u>
See the accompanying notes to these consolidated unaudited financial statements		

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**CONSOLIDATED UNAUDITED STATEMENT OF STOCKHOLDERS' EQUITY**  
**NINE MONTHS ENDED September 30, 2023**

	Common stock		Additional Paid in		Treasury Stock		Accumulated Deficit	Non-controlling Interest	Total
	Shares	Amount	Capital	Shares	Amount	Deficit			
Adjustment for disposal of VIE	-	-							
Stock based compensation			25,648						2
Net loss	-	-	-	-	-	(7,668,521)	-	(7,668,521)	
Balance, December 31, 2021	<u>32,958,288</u>	<u>\$ 32,958</u>	<u>\$ 26,363,665</u>	=	=	<u>\$ (45,209,702)</u>	<u>\$ -</u>	<u>\$ (18,813,079)</u>	
Adjustment for disposal of VIE	-	-							
Stock based compensation			4,188						
Adjust Steward (Bankruptcy) Settlement			7,500,000						7,500,000
Net loss	-	-	-	-	-	(10,342,707)	-	(10,342,707)	
Balance, December 31, 2022	<u>32,958,288</u>	<u>\$ 32,958</u>	<u>\$ 33,867,853</u>	=	=	<u>\$ (55,552,409)</u>	<u>\$ -</u>	<u>\$ (21,651,598)</u>	
Stock based compensation			35,000						3
Misc Adjustment						(7,158)		(7,158)	
Net loss	-	-	-	-	-	(5,768,912)	-	(5,768,912)	
Balance, September 30, 2023	<u>32,958,288</u>	<u>\$ 32,958</u>	<u>\$ 33,902,853</u>	=	=	<u>\$ (61,328,479)</u>	<u>\$ -</u>	<u>\$ (27,392,668)</u>	

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC**  
**CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS**

	For the nine months ended September 30,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (5,768,912)	\$ (8,941,016)
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation and amortization	33,499	\$ 69,096
Stock based compensation	-	\$ 4,188
Loss on disposal of VIE		\$ -
Impairment of goodwill, patient list and patents	-	\$ -
Changes in operating assets and liabilities:		\$ -
Accounts receivable	1,245,254	\$ 148,989
Prepaid expenses and other current assets	48,703	\$ 58,169
Employee loans	-	\$ -
Other assets	-	\$ (45,255)
Accounts payable and accrued expenses	(145,551)	\$ 3,255,057
Income taxes payable	-	\$ -
Deferred rent	234,708	\$ (138,121)
Unearned income	-	\$ -
Net cash used in operating activities	(4,352,298)	\$ (5,588,893)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments	(89,991)	\$ -
Proceeds from sale of equipment	47,100	\$ -
Loss on sale of Equipment	202,097	\$ 30,578
Purchase of equipment	(3,794)	(80,680)
Net cash used in investing activities	155,412	(50,102)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from sale of common stock	35,000	\$ -
Proceeds from notes payable	4,236,108	6,466,362
Payments on notes payable	(79,971)	(826,806)
Net cash (used in) provided by financing activities	4,191,137	5,639,557

Net (decrease) increase in cash and cash equivalents	(5,749)	562
Cash and cash equivalents, beginning of period		
Cash and cash equivalents from continuing operations	7,219	7,143
Cash and cash equivalents from discontinued operations	-	-
Total cash and cash equivalents, beginning of period	7,219	7,143
Cash and cash equivalents, end of period		
Cash and cash equivalents from continuing operations	1,470	7,705
Cash and cash equivalents from discontinued operations	-	-
Total cash and cash equivalents, end of period	<u>\$ 1,470</u>	<u>\$ 7,705</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the period for taxes	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to these consolidated unaudited financial statements

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 31, 2023**

**ORGANIZATION, BUSINESS AND PRINCIPLES OF CONSOLIDATION**

*Basis of Presentation - Going Concern*

During the fiscal nine months ended September 31, 2023, the Company experienced operating losses of approximately \$9.5 million and corresponding cash outflows from operations of \$6.3 million. This performance reflected challenges that confront a growing company in the healthcare market such as growing referral bases and negotiating favorable contract rates with third party payors for services rendered as well as the negative impact of the CEO indictment in November 2018. As a result of the CEO's actions the Company has been subject to litigation as well as incurring damage to its relationships with its employees and referral sources. The Company's ability to continue as a going concern is dependent upon the success of its continuing efforts to grow its revenue base, reduce operating costs, especially as related to physician services, and access additional sources of capital, and/or sell assets. The Company believes that it will be successful in repairing its relationships with employees and referral sources, generating growth and improved profitability resulting in improved cash flows from operations. Additionally, headcount was reduced in October 2022 to generate reductions in operating costs.

However, in order to execute the Company's business development plan, which there can be no assurance we will achieve, the Company may need to raise additional funds through public or private equity offerings, debt financings, corporate collaborations or other means and potentially reduce operating expenditures. If the Company is unable to secure additional capital, it may have to curtail its business development initiatives and take additional measures to reduce costs in order to conserve its cash, thus raising substantial doubt about its ability to continue as a going concern more than one nine months ended from the date of issuance of the 2018 financial statements included in this filing.

**SIGNIFICANT ACCOUNTING POLICIES**

Use of estimates

The preparation of the financial statements in conformity with United States generally accepted accounting principles ("U. S. GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the recoverability and useful lives of long-lived assets, provision against bad debt, the fair value of the Company's stock, and stock-based compensation. Actual results may differ from these estimates.

Revenue Recognition

On January 1, 2018, the Company adopted the new revenue recognition accounting standard issued by the Financial Accounting Standards Board ("FASB") and codified in the ASC as Topic 606 ("ASC 606"). The revenue recognition standard in ASC 606 outlines a single comprehensive model for recognizing revenue as performance obligations, defined in a contract with a customer as goods or services transferred to the customer in exchange for consideration, are satisfied. The standard also requires expanded disclosures regarding the Company's revenue recognition policies and significant judgments employed in the determination of revenue.

The Company applied the modified retrospective approach to all contracts when adopting ASC 606. As a result, at the adoption of ASC 606 what was previously classified as the provision for bad debts in the statement of operations is now reflected as implicit price concessions (as defined in ASC 606) and therefore included as a reduction to net operating revenues in 2018. For changes in credit issues not assessed at the date of service, the Company will prospectively recognize those amounts in other operating expenses in the statement of operations. For periods prior to the adoption of ASC 606, the provision for bad debts has been presented consistent with the previous revenue recognition standards that required it to be presented separately as a component of net operating revenues.

Patient Service Revenue

Our revenues relate to net patient fees received from various payers and patients themselves under contracts in which our performance obligations are to provide services to the patients. Revenues are recorded during the period our

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 31, 2023**

obligations to provide services are satisfied. The contractual relationships with patients, in most cases, also involve a third-party payer (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) 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 we provide to the related patients typically specify payments at amounts less than our standard charges and provide for payments based upon predetermined rates for services 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.

Concentrations of credit risk

The Company's financial instruments are exposed to a concentration of customer risk and accounts receivable risk. Occasionally, the Company's cash and cash equivalents in interest-bearing accounts may exceed FDIC insurance limits. The financial stability of these institutions is periodically reviewed by senior management. Revenues and accounts receivable are concentrated between two major payers with the approximate risk level outlined below.

Concentration of Risk				Nine months ended ended September 31,	
Revenue Concentration:		2023		2022	
		32.0	%	32.5	%
Commercial Payor 1		21.0	%	19.7	%
Commercial Payor 2					
Receivable Concentration:		September 31, 2023		September 31, 2022	
		58.0	%	31.2	%
Commercial Payor 1		33.2	%	27.2	%
Legal		9.6	%	12.8	%
Commercial Payor 2					

Accounts receivables

Accounts receivables are carried in their estimated collectible amounts net of doubtful accounts. The Company analyzes its history and identifies trends for each major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the contractual allowances.

Patient receivables are accounts receivables from services provided to patients who have third-party coverage. The Company analyzes contractually due amounts and provides a provision for bad debts, if necessary. The Company records a provision for bad debts in the period of service on the basis of past experience or when indications are the patients are unable or unwilling to pay the portion of their bill for which they are responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted, is charged off against the allowance for doubtful accounts.

Rental receivables from rental activities are periodically evaluated for collectability in determining the appropriate allowance for doubtful account and provision of bad debts.

Net loss per share

**FIRST CHOICE HEALTHCARE SOLUTIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 31, 2023**

Basic net loss per common share is based upon the weighted-average number of common shares outstanding. Diluted net income per common share is based on the weighted-average number of common shares outstanding and potentially dilutive common shares outstanding and computed as follows:

	<b>Nine months ended ended September 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Numerator:</b>		
Net loss attributable to First Choice Healthcare Solutions, Inc.	\$ (5,768,912)	\$ (8,941,016)
<b>Denominator:</b>		
Weighted-average common shares, basic	32,958,288	32,810,043
Weighted-average common shares, diluted	32,958,288	32,810,043
Basic:	\$ (0.18)	\$ (0.27)
Diluted:	\$ (0.18)	\$ (0.27)

The computation excludes potentially dilutive securities when their inclusion would be anti-dilutive, or if their exercise prices were greater than the average market price of the common stock during the period.

Potentially dilutive common shares from convertible debt, options and warrants are determined by applying the treasury stock method to the assumed exercise of warrants and share options were excluded from the computation of the diluted net income per share because their inclusion would be anti-dilutive. In addition, there were no vested restricted stock for periods presented. Potentially dilutive securities excluded from the basic and diluted net income per share are as follows:

Stock-based compensation

The Company measures the cost of services received in exchange for an award for equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is re-measured on vesting dates and interim financial reporting dates until the service period is complete. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Stock-based compensation expense is recorded by the Company in the same expense classifications in the consolidated statements of operations, as if such amounts were paid in cash. Upon exercise of a common stock equivalent, the Company issues new shares of common stock out of its authorized shares.

Long-lived assets

The Company follows a “primary asset” approach to determine the cash flow estimation period for a group of assets and liabilities that represents the unit of accounting for a long-lived asset to be held and used. Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Property and equipment are stated at cost. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition is reflected in earnings. For financial statement purposes, property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives of 5 to 15 nine months ended.

The Company evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should impairment in value be indicated, the carrying value of intangible assets will be adjusted, based on estimates of future discounted cash flows resulting from the use and ultimate disposition of the asset. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell.

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Income taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of items that have been included or excluded in the financial statements or tax returns. Deferred tax assets and liabilities are determined on the basis of the difference between the tax basis of assets and liabilities and their respective financial reporting amounts (“temporary differences”) at enacted tax rates in effect for the nine months ended in which the temporary differences are expected to reverse.

The Company follows a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Management has evaluated and concluded that there were no material uncertain tax positions requiring recognition in the Company’s consolidated financial statements as of September 31, 2023, and 2022. The Company does not expect any significant changes in its unrecognized tax benefits within twelve months of the reporting date.

The Company’s policy is to classify assessments, if any, for tax related interest as interest expense and penalties as general and administrative expenses in the consolidated statements of operations.

Treasury Stock

The Company uses the cost method when it purchases its own common stock as treasury shares and displays treasury stock as a reduction of shareholders’ equity.

Fair Value of Financial Instruments

Accounting Standards Codification subtopic 825-10, Financial Instruments (“ASC 825-10”) requires disclosure of the fair value of certain financial instruments. ASC 825-10 defines fair value 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 required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 825-10 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 825-10 establishes three levels of inputs that may be used to measure fair value:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed and is determined based on the lowest level input that is significant to the fair value measurement.

The carrying value of the Company’s cash, accounts receivable, accounts payable, short-term borrowings (including lines of credit and notes payable), and other current assets and liabilities are of fair value because of their short-term maturity.

As of September 31, 2023, and 2022, the Company did not have any items that would be classified as level 1, 2 or 3 disclosures.

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Reclassifications

Certain reclassifications have been made to the prior nine months ended's data to conform to the current nine months ended's presentation. These reclassifications had no impact on reported income or losses.

Recent accounting pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09 “Revenue from Contracts with Customers” to supersede previous revenue recognition guidance under current U.S. GAAP. The guidance presents a single five-step model for comprehensive revenue recognition that requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Two options are available for implementation of the standard which is either the retrospective approach or cumulative effect adjustment approach. The guidance becomes effective for annual reporting periods beginning after September 15, 2017, including interim periods within that reporting period, with early adoption permitted. The Company adopted ASU 2014-09 using the modified retrospective transition method in the first quarter of 2018 and such adoption did not have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02—Leases (Topic 842), requiring lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases except for short-term leases. For lessees, leases will continue to be classified as either operating or finance leases in the income statement. The effective date of the new standard for public companies is for fiscal nine months ending beginning after September 15, 2018, and interim periods within those fiscal nine months ended. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition and requires application of the new guidance at the beginning of the earliest comparative period presented. The Company is evaluating the effect that the updated standard will have on its financial statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15—Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance for eight specific cash flow issues with respect to how cash receipts and cash payments are classified in the statements of cash flows, with the objective of reducing diversity in practice. The effective date for ASU 2016-15 is for annual periods beginning after September 15, 2017, and interim periods within those fiscal nine months ended. Early adoption is permitted. The Company adopted ASU 2016-15 in the first quarter of 2018 and such adoption did not have a material impact on the Company.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350). The amendments in this update simplify the test for goodwill impairment by eliminating Step 2 from the impairment test, which required the entity to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining fair value of assets acquired and liabilities assumed in a business combination. The amendments in this update are effective for public companies for annual or any interim goodwill impairment tests in fiscal nine months ending beginning after September 15, 2019. We are evaluating the impact of adopting this guidance on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805), Clarifying the Definition of a Business. The amendments in this update clarify the definition of a business to help companies evaluate whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The amendments in this update are effective for public companies for annual periods beginning after September 15, 2017, including interim periods within those periods. The Company adopted ASU 2017-01 in the first quarter of 2018 and such adoption did not have a material impact on the consolidated financial statements.

In July 2017, the FASB issued ASU No. 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815). The amendments in Part I of this Update change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. The amendments also clarify existing disclosure requirements for equity-classified instruments.

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As a result, a freestanding equity-linked financial instrument (or embedded conversion option) would no longer be accounted for as a derivative liability at fair value because of the existence of a down round feature. For freestanding equity classified financial instruments, the amendments require entities that present earnings per share (EPS) in accordance with Topic 260 to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features are now subject to the specialized guidance for contingent beneficial conversion features (in Subtopic 470-20, Debt—Debt with Conversion and Other Options), including related EPS guidance (in Topic 260). The amendments in Part II of this Update recharacterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception.

Those amendments do not have an accounting effect. For public business entities, the amendments in Part I of this Update are effective for fiscal nine months ended, and interim periods within those fiscal nine months ended, beginning after September 15, 2018. Early adoption is permitted for all entities, including adoption in an interim period. If an entity adopts the amendments early in an interim period, any adjustments should be reflected as of the beginning of the fiscal nine months ended that includes that interim period. The Company is currently reviewing the impact of adoption of ASU 2017-11 on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, Stock Compensation (Topic 718); Improvements to Non-employer Share-Based Payment Accounting. The amendment aligns the accounting for share-based payments issued to employees and non-employees. The amendments in this update are effective for public companies for annual periods beginning after September 15, 2018, including interim periods within those periods. The Company is currently reviewing the impact of the adoption of ASU 2018-07 on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this update are effective for public companies for annual periods beginning after September 15, 2019, including interim periods within those periods. The Company is currently reviewing the impact of the adoption of ASU 2018-13 on its consolidated financial statements.

In October 2018, The FASB issued 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities. The amendments in this update are effective for public companies for annual periods beginning after September 15, 2019, including interim periods within those periods. The Company is currently reviewing the impact of the adoption of ASU 2018-17 on its consolidated financial statements.

#### Subsequent events

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the consolidated financial statements, except as disclosed.

#### **LIQUIDITY**

As of September 31, 2023, we had cash of \$7,219 and accounts receivable, net totaling \$1,316,001. This compared to cash of \$7,143 and accounts receivable, net of \$455,555 as of the end of 2022.

During the fiscal nine months ended September 31, 2023, the Company experienced operating losses of \$7,015,060 and corresponding cash outflows from operations of \$6,309,695. The Company's ability to continue as a going concern is dependent upon the success of its continuing efforts to grow its revenue base, reduce operating costs, especially as related to physician services, and access additional sources of capital, and/or sell assets. The Company believes that it will be successful in repairing its relationships with employees and referral sources, generating growth and improved profitability resulting in improved cash flows from operations. Additionally, headcount was reduced in October 2022 to generate reductions in operating costs.

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However, in order to execute the Company's business development plan, which there can be no assurance we will achieve, the Company may need to raise additional funds through public or private equity offerings, debt financings, corporate collaborations or other means and potentially reduce operating expenditures. If the Company is unable to secure additional capital, it may be required to curtail its business development initiatives and take additional measures to reduce costs in order to conserve its cash, thus raising substantial doubt about its ability to continue a going concern more than one nine months ended from the date of issuance of the 2018 financial statements included in this filing.

## **CAPITAL STOCK**

### Preferred stock

The Company is authorized to issue 1,000,000 shares, \$0.01 par value preferred stock. As of September 31, 2023, and 2022, none was issued and outstanding.

### Common stock

During the nine months ended September 31, 2017, the Company issued an aggregate of 306,000 shares of its common stock to officers, employees, and service providers at an aggregate fair value of \$326,406, which were earned and expensed in 2016.

During the nine months ended September 31, 2017, the Company issued an aggregate of 695,344 shares of its common stock to service providers at an aggregate fair value of \$841,197.

During the nine months ended September 31, 2017, the Company issued 1,866,667 shares of its common stock in exchange for \$1,400,000 in convertible debt. The value of shares was recorded as a share issuance liability as of September 31, 2016.

During the nine months ended September 31, 2017, the Company returned and canceled 142,500 shares of common stock. The shares were originally issued on July 8, 2015, for services to the Company. Because of the contract cancellation, the shares were returned and canceled.

On July 21, 2017, the Company and its former Chief Financial Officer entered into a Separation and General Release Agreement. The agreement called for the former CFO to resign from his position, assist with the preparation of the second quarter 10-Q filing and provide consulting services to the incoming Chief Financial Officer. In consideration of the above, the Company has paid the former Chief Financial Officer \$25,000 in cash and invested in 11,100 shares of Common Stock.

During the nine months ended September 31, 2018, the Company issued 384,371 shares for employee stock compensation that was granted in 2017. The expense of these shares is being amortized over the applicable vesting period.

During the nine months ended September 31, 2018, the Company issued an aggregate of 220,467 shares of its common stock to officers, employees, and service providers at an aggregate fair value of \$250,368.

In the first quarter 2018, the Company and Steward Health Care System LLC ("Steward") entered into a Stock Purchase Agreement (the "Purchase Agreement"). Pursuant to the terms of the Purchase Agreement, the Company issued five (5) million shares of common stock in exchange for cash proceeds of \$7.5 million.

The Company agreed that, upon demand from Steward after the six month anniversary of the Closing Date, the Company shall use its reasonable best efforts to prepare and file with the SEC, a registration statement and such other documents as may be necessary in the advice of counsel for the Company, and use its commercially reasonable efforts to have such registration statement declared effective in order to comply with the provisions of the Securities Act of 1933, as amended, so as to permit the registered resale of the common shares. The put option was eliminated as part of the final bankruptcy decree.

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In addition, the Company has agreed that, on or after April 1, 2023, upon ninety (90) days prior written notice, Steward may sell fifty percent (50%) of the common stock to the Company one-time during each of the following two (2) calendar nine months ends thereafter at a price equal to the purchase price under the Purchase Agreement pro-rated for the number of shares being purchased. Notwithstanding the foregoing, the put option shall automatically terminate and be of no further force and effect in the event the market capitalization (as defined in the Purchase Agreement) of the Company is equal to or more than \$100,000,000 at any time after the date of the Purchase Agreement. The put option was eliminated as part of the final bankruptcy decree.

Treasury stock

In May 2017, the Board of Directors authorized a share repurchase of up to one million shares of the Corporation's common stock, the "Repurchase Plan". The Repurchase Plan does not have formal end date but will automatically terminate (a) when the aggregate number of shares purchase reach one million shares, (b) two business days after notice of termination, (c) the commencement of any voluntary or involuntary case or other proceeding seeking foregoing and (d) the public announcement of a tender offer or exchange offer for the Company securities of a merger, acquisition, recapitalization or other similar business combination which as a result the Company's equity securities would be exchanged for or converted into cash, securities or other property.

Share repurchases under this authorization may be made in the open market through unsolicited or solicited privately negotiated transactions, or in such other appropriate manner, and may be funded from available cash and the revolving credit facility. The amount and timing of the repurchases, if any, would be determined by the Corporation's management and would depend on a variety of factors including price, corporate and regulatory requirements, capital availability and other market conditions. Common stock acquired through the stock repurchase program would be held as treasury shares and may be used for general corporate purposes, including reissuances in connection with acquisitions, employee stock option exercises or other employee stock plans. As of September 31, 2017, the Company had purchased 189,020 shares at an average purchase price of \$1.32 per share, for aggregate proceeds of \$249,265. During the first quarter of 2018, these shares were canceled. As of September 31, 2018, the Company had purchased 74,453 shares at an average purchase price of \$1.20 per share for aggregate proceeds of \$76,649. On November 19, 2018, the share repurchase plan was canceled.

**COMMITMENTS AND CONTINGENCIES**

Employee employment contracts

The Company, from time to time, enters into employment contracts with its physicians. These contracts are generally for three (3) nine months ended term; may be terminated for "Cause," as defined therein; include customary provisions for restrictive covenants; and provide for compensation that is derived from the revenue generated by work performed by the physicians.

Operating leases

*Sale/Leaseback*

Effective March 31, 2016, the Company leased Marina Towers under a sale/leaseback transaction, via 10-nine months ended absolute triple-net master lease agreement that expires in 2026. The Company has two successive options to renew the lease for five-nine months ended periods on the same terms and conditions as the primary non-revocable lease term with the exception of rent, which will be adjusted to the prevailing fair market rent at renewal and will escalate in successive nine months ends during the extended lease period. The Company does not have any residual interest nor the option to repurchase the facility at the end of the lease term. We moved out of Marina Towers as of 12/31/2022 as part of a settlement with the landlord.

Under U.S. GAAP, all rental payments, including fixed rent increases, are recognized on a straight-line basis over the life of the lease. Rent expense and the actual lease payments are reflected as deferred rent on the accompanying balance sheet.

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The following is a schedule of future minimum lease payments for the non-cancelable operating lease for each of the next five nine months ends ending September 31 and thereafter:

Nine months ended September 31, 2023	\$ 849,858
Nine months ended September 31, 2024	835,624
Nine months ended September 31, 2025	798,893
Nine months ended September 31, 2026	800,376
Nine months ended September 31, 2027, and thereafter	1,260,510
	<u>\$ 4,454,261</u>

Litigations, Claims and Assessments

From time to time, we may become involved in lawsuits and legal proceedings which arise in the ordinary course of business including potential disputes with patients. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Our contracts with hospitals require us to indemnify them and their affiliates for losses resulting from the negligence of our physicians.

Although we currently maintain liability insurance coverage intended to cover professional liability and certain other claims, we cannot assure that our insurance coverage will be adequate to cover liabilities arising out of claims asserted against us in the future where the outcomes of such claims are unfavorable to us. Liabilities in excess of our insurance coverage, including coverage for professional liability and certain other claims, could have a material adverse effect on our business, financial condition, and results of operations.

On or about April 3, 2018, Beachside Physical Therapy, Inc. and its owner, Optimis Corp. (collectively, “Beachside”) instituted an action against among others, the Company’s subsidiary, First Choice Medical Group of Brevard, Inc. (“FCMG”) and Chris Romandetti, the Company’s former CEO, as a Counterclaim Defendant in ongoing litigation commenced by the former owner of Beachside and his wife in October 2016 against Beachside. The action was commenced in the Circuit Court of the Eighteen Judicial Circuit in and for Brevard County, Florida, and seeks damages from FCMG for tortious interference of the restrictive covenants of the Stock Purchase Agreement dated as of September 30, 2011 between the Plaintiff and Beachside, together with temporary and permanent injunctive relief to prevent further breaches of the restrictive covenants. The former owner of Beachside has been employed by FCMG as Director of Physical Therapy since March 2017. On August 29, 2019, the judge denied the plaintiff’s request for a temporary injunction to suspend the physical therapy operations of First Choice. The judge also ruled that Mr. Romandetti, the Company’s former CEO and as authorized agent of First Choice had knowledge of stock purchase agreements and the restrictive covenants they contained and intentionally interfered with resulting in harm to Beachside. On August 30, 2019, the Plaintiff’s filed a motion for partial summary judgement against the Company based on the judge’s ruling on the tortious interference claim with a contractual relationship. A hearing is set for November 7, 2019. The Company has denied the allegations and intends to appeal the ruling. However, no assurance can be given that any amounts due by the Company will not have a material impact on the Company’s financial condition. The matter was settled in bankruptcy reorganization.

On February 1, 2019, Kris Romandetti, the former CEO’s wife and Leading Edge Medical Consulting, LLC, a company controlled by Kris Romandetti filed suit against the Company. The action was commenced in the Circuit Court of the Eighteen Judicial Circuit in and for Brevard County, Florida alleging (i) breach of contract, (ii) unpaid wages, (iii) unjust enrichment, and (iv) tortious interference for failure to pay money in connection with a separation of employment from First Choice. Ms. Romandetti and Leading-Edge Medical Consulting, LLC are seeking \$278,000 plus incurred legal fees. The matter was settled in bankruptcy reorganization.