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

FORM 10-Q

(Mark One)

X **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-41346

NUTEX HEALTH INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**11-3363609** (I.R.S. Employer Identification No.)
6030 S. Rice Ave, Suite C, **Houston, Texas** (Address of principal executive offices)	**77081** (Zip code)

(713) 660-0557
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	**NUTX**	**NASDAQ**

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

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

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

Large accelerated filer	X	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

As of August 7, 2023, the registrant had 661,897,896 shares of common stock outstanding.

NUTEX HEALTH INC.
FORM 10-Q

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INTRODUCTORY NOTE

Unless the context dictates otherwise, references in this Quarterly Report on Form 10-Q to the "Company," "we," "us," "our," and similar words are references to Nutex Health Inc. (formerly known as Clinigence Holdings, Inc.), a Delaware corporation, and its consolidated subsidiaries and affiliated entities, as appropriate, including its consolidated variable interest entities ("VIEs") and "Nutex" refers to Nutex Health Inc.

NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including, but not limited to, changes in laws or regulations applicable to our operations, any statements about our business, financial condition, operating results, plans, objectives, expectations and intentions, any guidance on, or projections of, earnings, revenue or other financial items, or otherwise, and our future liquidity, including cash flows; any statements of any plans, strategies, and objectives of management for future operations, such as the material opportunities that we believe exist for our Company; any statements concerning proposed services, developments, mergers or acquisitions; or strategic transactions; any statements regarding management's view of future expectations and prospects for us; any statements about prospective adoption of new accounting standards or effects of changes in accounting standards; any statements regarding future economic conditions or performance; any statements of belief; any statements of assumptions underlying any of the foregoing; and other statements that are not historical facts. Forward-looking statements may be identified by the use of forward-looking terms such as "anticipate," "could," "can," "may," "might," "potential," "predict," "should," "estimate," "expect," "project," "believe," "think," "plan," "envision," "intend," "continue," "target," "seek," "contemplate," "budgeted," "will," "would," and the negative of such terms, other variations on such terms or other similar or comparable words, phrases, or terminology. These forward-looking statements present our estimates and assumptions only as of the date of this Quarterly Report on Form 10-Q and are subject to change.

Forward-looking statements involve risks and uncertainties and are based on the current beliefs, expectations, and certain assumptions of management. Some or all of such beliefs, expectations, and assumptions may not materialize or may vary significantly from actual results. Such statements are qualified by important economic, competitive, governmental, and technological factors that could cause our business, strategy, or actual results or events to differ materially from those in our forward-looking statements. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under, but not limited to, the heading "Item 1A. Risk Factors" included in this Quarterly Report, the Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, and in the Annual Report of Nutex Health Inc. on Form 10-K for the year ended December 31, 2022 and other filings of the Company with the United States Securities and Exchange Commission. Although we believe that the expectations reflected in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change, and significant risks and uncertainties that could cause actual conditions, outcomes, and results to differ materially from those indicated by such statements. Consequently, all of the forward-looking statements made in this Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequence to or effects on the Company or its business or operations. The Company assumes no obligations to update any such forward-looking statements.

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements

NUTEX HEALTH INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 32,754,330	$ 34,255,264
Accounts receivable	50,676,301	57,777,386
Accounts receivable - related parties	1,335,241	538,183
Inventories	2,450,776	3,533,285
Prepaid expenses and other current assets	4,858,546	1,869,806
Total current assets	92,075,194	97,973,924
Property and equipment, net	83,062,145	82,094,352
Operating right-of-use assets	17,111,817	20,466,632
Finance right-of-use assets	206,072,425	192,591,624
Intangible assets, net	20,418,551	21,191,390
Goodwill, net	17,010,637	17,010,637
Other assets	483,679	423,426
Total assets	$ 436,234,448	$ 431,751,985
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 16,424,368	$ 23,614,387
Accounts payable - related parties	3,919,114	3,915,661
Lines of credit	2,980,684	2,623,479
Current portion of long-term debt	16,412,345	12,546,097
Operating lease liabilities, current portion	1,551,655	1,703,014
Finance lease liabilities, current portion	4,105,654	4,219,518
Accrued expenses and other current liabilities	12,049,471	6,240,813
Total current liabilities	57,443,291	54,862,969
Long-term debt, net	25,106,830	23,051,152
Operating lease liabilities, net	16,256,976	19,438,497
Finance lease liabilities, net	220,473,072	203,619,756
Deferred tax liabilities	8,728,100	10,452,211
Total liabilities	328,008,269	311,424,585
Commitments and contingencies		
Equity:		
Common stock, $0.001 par value; 950,000,000 shares authorized; 660,742,624 and 650,223,840 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	660,742	650,224
Additional paid-in capital	463,869,968	458,498,402
Accumulated deficit	(371,912,251)	(363,285,925)
Nutex Health Inc. equity	92,618,459	95,862,701
Noncontrolling interests	15,607,720	24,464,699
Total equity	108,226,179	120,327,400
Total liabilities and equity	$ 436,234,448	$ 431,751,985

See accompanying notes to the unaudited condensed consolidated financial statements.

NUTEX HEALTH INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue:				
Hospital division	$ 51,611,803	$ 51,604,679	$ 100,899,967	$ 130,731,921
Population health management division	7,312,651	6,443,254	14,353,904	6,443,254
Total revenue	58,924,454	58,047,933	115,253,871	137,175,175
Operating costs and expenses:				
Payroll and benefits	24,860,702	24,356,184	50,697,375	49,966,401
Contract services	9,747,873	13,060,447	18,937,204	17,979,079
Medical supplies	3,264,202	2,581,552	7,288,084	6,841,031
Depreciation and amortization	4,169,160	3,132,485	8,162,907	5,529,346
Other	7,235,594	8,279,344	15,673,655	14,405,901
Total operating costs and expenses	49,277,531	51,410,012	100,759,225	94,721,758
Gross profit	9,646,923	6,637,921	14,494,646	42,453,417
Corporate and other costs:				
Facilities closing costs	-	-	217,266	-
Acquisition costs	-	3,885,666	-	3,885,666
Stock-based compensation expense	249,645	54,166	2,149,645	54,166
General and administrative expenses	9,759,816	4,076,566	16,935,360	10,653,089
Total corporate and other costs	10,009,461	8,016,398	19,302,271	14,592,921
Operating income (loss)	(362,538)	(1,378,477)	(4,807,625)	27,860,496
Interest expense, net	4,843,048	4,369,609	7,983,137	6,225,583
Other expense (income)	(123,528)	(1,403,222)	123,927	977,323
Income (loss) before taxes	(5,082,058)	(4,344,864)	(12,914,689)	20,657,590
Income tax expense (benefit)	(815,612)	19,653,286	(1,726,271)	19,829,609
Net income (loss)	(4,266,446)	(23,998,150)	(11,188,418)	827,981
Less: net loss attributable to noncontrolling interests	(787,399)	(4,713,304)	(2,562,092)	(1,417,475)
Net income (loss) attributable to Nutex Health Inc.	$ (3,479,047)	$ (19,284,846)	$ (8,626,326)	$ 2,245,456
Earnings (loss) per common share				
Basic	$ (0.01)	$ (0.03)	$ (0.01)	$ 0.00
Diluted	$ (0.01)	$ (0.03)	$ (0.01)	$ 0.00

See accompanying notes to the unaudited condensed consolidated financial statements.

NUTEX HEALTH INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

	Common Stock		Additional Paid-in	Retained Earnings	Noncontrolling	Total
	Shares	Amount	Capital	(Accumulated Deficit)	Interests	Equity
Balance at January 1, 2022	592,791,712	$592,792	$ 11,742,891	$ 102,315,623	$ 76,929,704	$191,581,010
Contributions	-	-	-	-	3,869,201	3,869,201
Distributions	-	-	-	(27,114,936)	(5,738,045)	(32,852,981)
Net income	-	-	-	21,442,843	3,383,288	24,826,131
Balance at March 31, 2022	592,791,712	$592,792	$ 11,742,891	$ 96,643,530	$ 78,444,148	$187,423,361
Reverse acquisition with Clinigence	50,961,109	50,961	436,449,305	-	194,747	436,695,013
Notes payable converted to common stock	2,622,819	2,623	4,062,749	-	-	4,065,372
Common stock issued for exercise of warrants	2,147,252	2,147	4,116,994	-	-	4,119,141
Common stock issued for exercise of options	312,019	312	644,662	-	-	644,974
Restricted stock awards issued for compensation	83,547	83	54,083	-	-	54,166
Deconsolidation of Real Estate Entities	-	-	-	(6,466,946)	(32,336,946)	(38,803,892)
Contributions	-	-	-	-	861,916	861,916
Distributions	-	-	-	(7,341,202)	(7,637,993)	(14,979,195)
Net loss	-	-	-	(19,284,846)	(4,713,304)	(23,998,150)
Balance at June 30, 2022	648,918,458	$648,918	$ 457,070,684	$ 63,550,536	$ 34,812,568	$556,082,706
Balance at January 1, 2023	650,223,840	650,224	458,498,402	(363,285,925)	24,464,699	120,327,400
Deconsolidation of Real Estate Entity	-	-	-	-	(4,258,133)	(4,258,133)
Common stock issued for exercise of warrants	702,285	702	(702)	-	-	-
Common stock issued to Apollo Medical Holdings, Inc.	1,000,000	1,000	1,899,000	-	-	1,900,000
Contributions	-	-	-	-	28,000	28,000
Distributions	-	-	-	-	(1,537,141)	(1,537,141)
Net loss	-	-	-	(5,147,279)	(1,774,693)	(6,921,972)
Balance at March 31, 2023	651,926,125	$651,926	$ 460,396,700	$ (368,433,204)	$ 16,922,732	$109,538,154
Common stock issued for exercise of warrants	566,042	566	(566)	-	-	-
Debt conversion to common stock	8,035,737	8,035	3,224,404	-	-	3,232,439
Restricted stock awards issued for compensation	214,720	215	249,430	-	-	249,645
Contributions	-	-	-	-	621,550	621,550
Distributions	-	-	-	-	(1,149,163)	(1,149,163)
Net loss	-	-	-	(3,479,047)	(787,399)	(4,266,446)
Balance at June 30, 2023	660,742,624	$660,742	$ 463,869,968	$ (371,912,251)	$ 15,607,720	$108,226,179

See accompanying notes to the unaudited condensed consolidated financial statements.

NUTEX HEALTH INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net income (loss)	$ (11,188,418)	$ 827,981
Adjustment to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	8,162,907	5,529,346
Stock-based compensation expense	2,149,645	54,166
Deferred tax expense (benefit)	(1,724,111)	12,013,748
Debt accretion expense	953,236	722,536
Loss on lease termination	58,211	-
Non-cash lease expense	61,734	629,094
Changes in operating assets and liabilities:		
Accounts receivable	6,921,239	19,745,666
Accounts receivable - related party	(797,058)	602,068
Inventories	1,082,509	(93,004)
Prepaid expenses and other current assets	(3,048,993)	(2,002,401)
Accounts payable	(7,189,929)	6,358,427
Accounts payable - related party	3,453	(630,490)
Accrued expenses and other current liabilities	5,619,907	9,645,922
Net cash from operating activities	1,064,332	53,403,059
Cash flows from investing activities:		
Acquisitions of property and equipment	(7,446,902)	(16,621,726)
Acquired cash in reverse acquisition with Clinigence	-	12,716,228
Cash related to deconsolidation of Real Estate Entity	(1,039,157)	(2,421,212)
Net cash from investing activities	(8,486,059)	(6,326,710)
Cash flows from financing activities:		
Proceeds from lines of credit	1,949,919	2,592,714
Proceeds from notes payable	16,952,905	4,865,974
Repayments of lines of credit	(1,592,714)	(72,055)
Repayments of notes payable	(7,481,893)	(4,338,567)
Repayments of finance leases	(1,870,670)	(305,134)
Common stock issued for exercise of warrants	-	4,119,141
Common stock issued for exercise of options	-	644,974
Members' contributions	649,550	4,731,117
Members' distributions	(2,686,304)	(47,832,176)
Net cash from financing activities	5,920,793	(35,594,012)
Net change in cash and cash equivalents	(1,500,934)	11,482,337
Cash and cash equivalents - beginning of the period	34,255,264	36,118,284
Cash and cash equivalents - end of the period	$ 32,754,330	$ 47,600,621

See accompanying notes to the unaudited condensed consolidated financial statements.

Note 1 – Organization and Operations

Nutex Health Inc. ("Nutex Health" or the "Company"), is a physician-led, healthcare services and operations company with 20 hospital facilities in eight states (hospital division), and a primary care-centric, risk-bearing population health management division. Our hospital division implements and operates different innovative health care models, including micro-hospitals, specialty hospitals and hospital outpatient departments ("HOPDs"). The population health management division owns and operates provider networks such as independent physician associations ("IPAs") and offers a cloud-based proprietary technology platform to IPAs which aggregates clinical and claims data across multiple settings, information systems and sources to create a holistic view of patients and providers.

We employ approximately 800 full time employees and partner with over 900 physicians. Our corporate headquarters is based in Houston, Texas. We were incorporated on April 13, 2000 in the state of Delaware.

Merger of Nutex Health Holdco LLC and Clinigence Holdings, Inc. On April 1, 2022, the merger (the "Merger") of Nutex Health Holdco LLC and Clinigence Holdings, Inc. ("Clinigence") was completed pursuant to the Agreement and Plan of Merger (the "Merger Agreement") entered on November 23, 2021 between Clinigence, Nutex Acquisition LLC, a Delaware limited liability company and wholly-owned subsidiary of Clinigence, Nutex, Micro Hospital Holding LLC (solely for the purposes of certain sections of the Merger Agreement), Nutex Health Holdco LLC and Thomas Vo, M.D., solely in his capacity as the representative of the equity holders of Nutex Health Holdco LLC.

In connection with the Merger Agreement, Nutex Health Holdco LLC entered into certain Contribution Agreements with holders of equity interests ("Nutex Owners") of subsidiaries and affiliates (the "Nutex Subsidiaries") pursuant to which such Nutex Owners agreed to contribute certain equity interests in the Nutex Subsidiaries to Nutex Health Holdco LLC in exchange for specified equity interests in Nutex Health Holdco LLC (collectively, the "Contribution Transaction"). Nutex owners having ownership interests representing approximately 84% of the agreed upon aggregate equity value of the Nutex Subsidiaries, agreed to contribute all or a portion of their equity interests, as applicable.

Pursuant to the Merger Agreement, each unit representing an equity interest in Nutex Health Holdco LLC issued and outstanding immediately prior to the effective time of the Merger but after the Contribution Transaction (collectively, the "Nutex Membership Interests") was converted into the right to receive 3.571428575 shares of common stock of Clinigence, or an aggregate of 592,791,712 shares of common stock of Clinigence.

After completing the merger, Clinigence was renamed Nutex Health Inc.

Note 2 - Summary of Significant Accounting Policies

Basis of presentation. These financial statements present the Company's consolidated financial condition and results of operations including those of majority-owned subsidiaries and variable interest entities ("VIEs") for which we are the primary beneficiary.

The hospital division includes our healthcare billing and collections organization and hospital entities. In addition, we have financial and operating relationships with multiple professional entities (the "Physician LLCs") and real estate entities (the "Real Estate Entities"). The Physician LLCs employ the doctors who work in our hospitals. These entities are consolidated by the Company as VIEs because they do not have significant equity at risk, and we have historically provided support to the Physician LLCs in the event of cash shortages and received the benefit of their cash surpluses.

The Real Estate Entities own the land and hospital buildings which are leased to our hospital entities. The Real Estate Entities have mortgage loans payable to third parties which are collateralized by the land and buildings. We consolidate the Real Estate Entities as VIEs in instances where our hospital entities are guarantors or co-borrowers under their outstanding mortgage loans. Since the second quarter of 2022, we have deconsolidated 18 Real Estate Entities after the third-party lenders released our guarantees of associated mortgage loans.

The Company has no direct or indirect ownership interest in the consolidated Physician LLCs or Real Estate Entities, so 100% of the equity for these entities is shown as noncontrolling interests in the consolidated balance sheets and statements of operations. Many of the Physician LLCs and Real Estate Entities are owned in part and in some cases controlled by related parties including members of our executive management team.

The population health management division includes our management services organizations and a healthcare information technology company providing a cloud-based platform for healthcare organizations. In addition, Associated Hispanic Physicians of So. California ("AHISP"), an IPA entity that is not owned by us, but is consolidated as a VIE of our wholly-owned subsidiary AHP Health Management Services Inc. ("AHP") since AHP is the primary beneficiary of its operations and has 100% control of AHISP's operations through its management services agreement with AHISP.

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

Interim financial statements. These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Accordingly, they do not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). The unaudited condensed consolidated financial statements include all material adjustments of a normal recurring nature that, in the opinion of management, are necessary for a fair presentation of the results of operations for the interim periods presented. These interim financial statements should be read together with the consolidated financial statements and notes thereto included in our audited financial statements for the years ended December 31, 2022 and 2021.

Use of estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include (i) estimates of net revenue and accounts receivable, (ii) fair value of acquired assets and liabilities in business combinations and (iii) impairment of long-lived assets and goodwill. Actual results could differ from those estimates.

Fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. We classify fair value balances based on the classification of the inputs used to calculate the fair value of a transaction. The three levels related to fair value measurements are as follows:

Level 1 — Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The estimated fair value of accounts receivable, accounts payable, accrued expenses and notes payable approximate the carrying amount due to the relatively short maturity or time to maturity of these instruments. Accounts receivable and payable with related parties may not be arms-length transactions and therefore, may not reflect fair value.

Except for the initial valuation of intangible assets in connection with the reverse business combination with Clinigence discussed in Note 3 and the impairment of goodwill discussed above, there were no assets or liabilities that were re-measured at fair value on a non-recurring basis during the periods presented.

Convertible debt. The Company accounts for convertible debt that does not meet the criteria for equity treatment as a liability reported at its amortized cost. The Company classifies convertible debt based on the re-payment terms and conditions. Any original issue discounts and costs incurred upon issuance of the convertible debt are amortized to interest expense over the debt term. Convertible debt is also analyzed for the existence of embedded derivatives, which may require bifurcation from the convertible debt and separate accounting treatment.

Segment reporting. A public company is required to report descriptive information about its reportable operating segments. Operating segments, as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Aggregation of similar operating segments into a single reportable operating segment is permitted if the businesses have similar economic characteristics and meet established criteria. The Company operates three reportable segments – the hospital division, the population health management division and the real estate division. The real estate division is comprised of the Real Estate Entities.

Revision of Prior Period Financial Statements. As previously reported in our Current Report on Form 10-Q for the quarter ended September 30, 2022, we made certain immaterial revisions to previously reported amounts in our combined and consolidated financial statements as of and for the six months ended June 30, 2022, correcting the classification of net income and equity attributable to noncontrolling interests. As previously reported in our Annual Report on Form 10-K for the year ended December 31, 2022, we corrected the reported amount of goodwill related to our Merger with Clinigence. We evaluated these matters in accordance with SAB No. 99, Materiality, and SAB No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements and determined that their related impact was not material to our financial statements for any prior annual or interim period. We will correct previously reported financial information for these immaterial matters in our future filings, as applicable. A summary of the revisions to our prior period financial statements is presented below:

	June 30, 2022		
	As Reported	**Revisions**	**As Revised**
Revised balance sheets			
Total current assets	$ 148,980,554	$ -	$ 148,980,554
Goodwill	425,355,837	(10,331,537)	415,024,300
Other long-term assets	297,456,869	-	297,456,869
Total assets	$ 871,793,260	$ (10,331,537)	$ 861,461,723
Total liabilities	$ 305,379,017	$ -	$ 305,379,017
Equity:			
Members' equity	525,689,827	(4,419,689)	521,270,138
Noncontrolling interest	40,724,416	(5,911,848)	34,812,568
Total equity	566,414,243	(10,331,537)	556,082,706
Total liabilities and equity	$ 871,793,260	$ (10,331,537)	$ 861,461,723

	Six Months Ended June 30, 2022		
	As Reported	Revisions	As Revised
Revised statements of operations			
Net income (loss)	$ 1,347,961	$ (519,980)	$ 827,981
Less: net income (loss) attributable to noncontrolling interests	(786,589)	(630,886)	(1,417,475)
Net income (loss) attributable to Nutex Health Inc.	$ 2,134,550	$ 110,906	$ 2,245,456

	Three months ended June 30, 2022		
	As Reported	Revisions	As Revised
Revised statements of operations			
Net income (loss)	$ (23,478,170)	$ (519,980)	$ (23,998,150)
Less: net income (loss) attributable to noncontrolling interests	(4,082,418)	(630,886)	(4,713,304)
Net income (loss) attributable to Nutex Health Inc.	$ (19,395,752)	$ 110,906	$ (19,284,846)
Revised statements of changes in equity			
Reverse acquisition with Clinigence			
Retained earnings	$ 446,831,803	$ (10,331,537)	$ 436,500,266
Noncontrolling interest	194,747	-	194,747
Total deconsolidation of real estate entities	$ 447,026,550	$ (10,331,537)	$ 436,695,013
Deconsolidation of Real Estate Entities			
Retained earnings	$ (12,267,888)	$ 5,800,942	$ (6,466,946)
Noncontrolling interest	(27,055,984)	(5,280,962)	(32,336,946)
Total deconsolidation of real estate entities	$ (39,323,872)	$ 519,980	$ (38,803,892)
Net income (loss)			
Retained earnings	$ (19,395,752)	$ 110,906	$ (19,284,846)
Noncontrolling interest	(4,082,418)	(630,886)	(4,713,304)
Total net income (loss)	$ (23,478,170)	$ (519,980)	$ (23,998,150)

Reclassifications. Financial statements presented for prior periods include reclassifications that were made to conform to the current year presentation.

Recent accounting pronouncements. There are no new accounting pronouncements that are expected to have a material impact on the condensed consolidated financial statements.

Note 3 - Merger of Nutex Health Holdco LLC and Clinigence Holdings, Inc.

The merger of Nutex Health Holdco LLC and Clinigence was completed pursuant to the Merger Agreement on April 1, 2022. As discussed above, the merger was accounted for as a reverse business combination with Nutex Health Holdco LLC as the accounting acquirer and Clinigence as the accounting acquiree.

The fair value of purchase consideration transferred on the closing date includes the value of the shares of the combined company owned by Clinigence shareholders at closing of the merger and the fair value of Clinigence's outstanding and exercisable common stock options and warrants as determined using a Black-Scholes valuation model. The fair value per share of Clinigence's common stock was $6.40; its traded closing price on April 1, 2022.

Total consideration in the merger is shown below:

Fair value of Clinigence common shares at $6.40 per share (50,961,109 shares)	$	326,151,098
Fair value of Clinigence outstanding common stock options and warrants		110,543,915
Total consideration	$	436,695,013

The following is the allocation of the total purchase consideration to acquired assets and assumed liabilities including the fair value of identified intangible assets as determined by independent valuation (a level 3 measurement):

Cash and cash equivalents	$	12,716,228
Accounts receivable, net		2,127,076
Prepaid expenses and other current assets		127,384
Property and equipment, net		14,793
Right of use asset, net		86,989
Intangible assets, net		21,668,000
Goodwill		414,006,378
Accounts payable and accrued expenses		(3,966,100)
Deferred revenue		(92,111)
Convertible notes payable, net		(3,771,858)
Term note payable		(674,526)
Lease liability		(91,238)
Deferred tax liability		(5,456,002)
Assets acquired	$	436,695,013

We made a retrospective change in the valuation of options and warrants assumed by us as part of the total consideration in the merger. This change reduced the fair value of consideration paid and goodwill by $10.3 million.

The intangible assets denoted above each have definite lives. These intangible assets are being amortized over their estimated useful lives of 5 to 16 years. Goodwill arising from the reverse business combination is not tax-deductible. We recognized a non-cash impairment charge of $398.1 million in 2022 to reduce the carrying amount of goodwill arising in the reverse business combination.

The results of operations of Clinigence have been included in the Company's consolidated financial statements since the April 1, 2022 merger date. We expensed $3.9 million of acquisition-related costs for the merger in 2022. These costs consisted principally of legal, accounting and other professional fees for the transaction.

Supplemental Pro Forma Information – The supplemental pro forma financial information presented below is for illustrative purposes only and is not necessarily indicative of the financial position or results of operations that would have been realized if the merger with Clinigence had been completed on the date indicated, nor is it indicative of future operating results or financial position. The pro forma adjustments are based upon currently available information and certain assumptions that management believes are reasonable under the circumstances.

The supplemental pro forma financial information reflects pro forma adjustments to present the combined pro forma results of operations as if the acquisition had occurred on January 1, 2021, to give effect to certain events that management believes to be directly attributable to the acquisition. These pro forma adjustments primarily include an increase to depreciation and amortization expense that would have been recognized due to acquired tangible and intangible assets.

The supplemental pro forma financial information is as follows:

	Six Months Ended June 30, 2022
Revenue	$ 143,384,350
Net loss attributable to Nutex Health Inc.	(12,215,600)
Basic earnings per share	(0.02)
Diluted earnings per share	(0.02)

The pro forma income above includes $14.2 million of one-time stock-based compensation expense related to the merger transaction. Pro forma data does not purport to be indicative of the results that would have been obtained had these events actually occurred at the beginning of the period presented and is not intended to be a projection of future results.

Note 4 – Revenue

We disaggregate revenue from contracts with customers into types of services or products, consistent with our reportable segments, as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Hospital Division:				
Net patient service revenue	$ 50,992,663	$ 51,209,741	$ 99,833,875	$ 130,025,739
Management fees	619,140	394,938	1,066,092	706,182
Total Hospital Division revenue	51,611,803	51,604,679	100,899,967	130,731,921
Population Health Management Division:				
Capitation revenue, net	6,216,562	5,150,342	12,268,136	5,150,342
Management fees	753,527	290,112	1,473,153	290,112
SaaS revenue	342,562	1,002,800	612,615	1,002,800
Total Population Health Management Division revenue	7,312,651	6,443,254	14,353,904	6,443,254
Total revenue	$ 58,924,454	$ 58,047,933	$ 115,253,871	$ 137,175,175

Net patient service revenue. We receive payment for facility services rendered by us from federal agencies, private insurance carriers, and patients. The Physician LLCs receive payment for doctor services from these same sources. On average, greater than 90% of our net patient service revenue is paid by insurers, federal agencies, and other non-patient third parties. The remaining revenues are paid by our patients in the form of copays, deductibles, and self-payment. We generally operate as an out-of-network provider and, as such, do not have negotiated reimbursement rates with insurance companies. In the fourth quarter of 2022, we signed in-network provider contracts with the Provider Network of America ("PNA").

The following tables present the allocation of the estimated transaction price with the patient between the primary patient classification of insurance coverage:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Insurance	93%	92%	93%	92%
Self pay	4%	8%	4%	8%
Workers compensation	2%	0%	2%	0%
Medicare/Medicaid	1%	0%	1%	0%
Total	100%	100%	100%	100%

Contract balances. Cash payments for SaaS-based subscriptions received in advance of the satisfaction of our performance obligations are reported as deferred revenue and subsequently recognized as revenue over the period in which the performance obligations are satisfied. The Company completes its contractual performance obligations through providing its customers access to specified data through subscriptions for a service period, and training on consulting associated with the subscriptions. We primarily invoice our customers on a monthly basis and do not provide any refunds, rights of return, or warranties. Deferred revenue is presented as current liabilities and totaled $0.1 million as of June 30, 2023 and December 31, 2022. We expect to recognize revenue for these amounts within the next twelve months.

Note 5 - Property and Equipment

The principal categories of property and equipment, net are summarized as follows:

	Useful Life (years)	June 30, 2023	December 31, 2022
Buildings and improvements	39	$ 9,086,825	$ 8,521,996
Land	-	2,650,670	3,721,576
Leasehold improvements	10-39	28,855,241	28,855,239
Construction in progress	-	20,218,815	19,389,329
Medical equipment	10	29,295,582	28,744,664
Office furniture and equipment	7	2,879,826	2,860,680
Computer hardware and software	5	3,574,903	1,713,434
Vehicles	5	135,590	135,590
Signage	10	1,173,612	1,163,722
Total cost		97,871,064	95,106,230
Less: accumulated depreciation		(14,808,919)	(13,011,878)
Total property and equipment, net		$ 83,062,145	$ 82,094,352

We deconsolidated 17 Real Estate Entities in the second quarter of 2022 and one Real Estate Entity in the first quarter of 2023. Refer to Note 18.

Depreciation and amortization of property and equipment for the three months ended June 30, 2023 and 2022 totaled $1.1 million and $1.5 million, respectively, and for the six months ended June 30, 2023 and 2022 totaled $2.4 million and $2.6 million, respectively.

Note 6 – Intangible Assets

The following tables provide detail of the Company’s intangible assets:

June 30, 2023	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (in years)
Amortizing intangible assets:				
Member relationships	$ 16,899,000	$ 1,408,249	$ 15,490,751	15
Management contracts	2,021,000	157,891	1,863,109	16
Customer contracts	914,000	76,167	837,833	15
Trademarks	1,425,000	187,541	1,237,459	7-12
PHP technology	409,000	102,250	306,750	5
Indefinite life intangible - license	682,649	-	682,649	-
Total	$ 22,350,649	$ 1,932,098	$ 20,418,551	

December 31, 2022				
Amortizing intangible assets:				
Member relationships	$ 16,899,000	$ 844,950	$ 16,054,050	15
Management contracts	2,021,000	94,734	1,926,266	16
Customer contracts	914,000	45,700	868,300	15
Trademarks	1,425,000	112,525	1,312,475	7-12
PHP technology	409,000	61,350	347,650	5
Indefinite life intangible - license	682,649	-	682,649	-
Total	$ 22,350,649	$ 1,159,259	$ 21,191,390	

Amortization of intangible assets for the three months ended June 30, 2023 and 2022 totaled $0.4 million each, and for the six months ended June 30, 2023 and 2022 totaled $0.8 million and $0.4 million, respectively.

Note 7 – Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	June 30, 2023	December 31, 2022
Accrued wages and benefits	$ 5,820,607	$ 4,235,167
Accrued other	6,228,864	2,005,646
Total accrued expenses and other current liabilities	$ 12,049,471	$ 6,240,813

Note 8 – Debt

The Company's outstanding debt is shown in the following table:

	Maturity Dates	Interest Rates	June 30, 2023	December 31, 2022
Term loans secured by all assets	08/2023 - 12/2028	4.15 - 7.71%	$ 10,646,410	$ 11,341,934
Term loans secured by property and equipment	01/2024 - 10/2028	3.59 - 9.75%	10,604,572	9,299,197
Line of credit secured by all assets	09/2023 - 11/2025	4.00 - 8.00%	2,980,685	2,623,479
Term loans of consolidated Real Estate Entities	08/2023 - 03/2037	2.84 - 5.75%	13,619,082	15,068,920
Pre-paid advance (convertible debt)	03/2024	0.00%	7,712,264	-
Total			45,563,013	38,333,530
Less: unamortized long-term debt issuance costs			1,063,154	112,802
Less: short-term lines of credit			2,980,684	2,623,479
Less: current portion of long-term debt			16,412,345	12,546,097
Total long-term debt			$ 25,106,830	$ 23,051,152

Term loans and lines of credit. We have entered into private debt arrangements with banking institutions for the purchase of equipment and to provide working capital and liquidity through cash and lines of credit. Unless otherwise delineated above, these debt arrangements are obligations of Nutex and/or its majority-owned subsidiaries. Consolidated Real Estate Entities have entered into private debt arrangements with banking institutions for purposes of purchasing land, constructing new emergency room facilities and building out leasehold improvements which are leased to our hospital entities. Nutex is a guarantor or, in limited cases, a co-borrower on the debt arrangements of the Real Estate

Entities for the periods shown. Since the second quarter of 2022, we have deconsolidated 18 Real Estate Entities after the third-party lenders released our guarantees of associated mortgage loans.

Certain outstanding debt arrangements require minimum debt service coverage ratios and other financial covenants. At June 30, 2023, we were not in compliance with the debt service coverage ratio for one term loan with an outstanding balance of $1.0 million. This balance has been included in current liabilities. At June 30, 2023, we had remaining availability of $3.1 million under outstanding lines of credit.

Pre-Paid Advance Agreement (convertible debt). On April 11, 2023, the Company entered into a Pre-Paid Advance Agreement (the "PPA") with YA II PN, Ltd. ("Yorkville") pursuant to which the Company may request advances of up to $25.0 million each from Yorkville (or such greater amount that parties may mutually agree) (each, a "Pre-Paid Advance") for a total of up to $100 million, which will be purchased by Yorkville at 90% of the face amount. The initial Pre-Paid Advance requested was $25 million, $15 million of which was paid on April 11, 2023, with the remaining $10 million to be paid upon mutual agreement of the parties. During the period ending June 30, 2023, the parties mutually agreed not to fund the remaining $10 million. Future Pre-Paid Advances, if any, will range from $5 million to $25 million depending on stock price and volume conditions being met, with an aggregate limitation on Pre-Paid Advances of $100.0 million over an 18-months period. At the request and sole discretion of Yorkville, such Pre-Paid Advances will be correspondingly reduced upon the issuance of our Common Stock to Yorkville at a Purchase Price equal to (a) $1.00 in respect of the initial Pre-Paid Advance, and (b) with respect to each subsequent Pre-Paid Advance the lower of (i) 100% of the volume weighted average prices ("VWAP") of the Company's common stock on the trading day immediately preceding the closing of such Pre-Paid Advance or (ii) 92.0% of the average of the two lowest daily VWAP of the shares during the seven trading days immediately prior to each Pre-Paid Advance, subject to a floor price of $0.1851 per share ("Floor Price"). The issuance of the shares of Common Stock under the PPA is subject to certain limitations, including that the aggregate number of shares of Common Stock issued pursuant to the PPA cannot exceed 19.9% of the Company's outstanding shares of Common Stock as of April 11, 2023 ("Exchange Cap"). Additionally, Yorkville may not request issuances of Common Stock with respect to the initial Pre-Paid Advance in excess of $7.5 million in any consecutive 30-day period. Further Yorkville may not request the issuance of Common Stock if such issuance would result in Yorkville (and its affiliates) beneficially owning more than 4.99% of the outstanding shares of the Company. Interest accrues on the outstanding balance of any Pre-Paid Advance at an annual rate equal to 0% subject to an increase to 15% upon events of default described in the PPA. Each Pre-Paid Advance has a maturity date of 12 months from the Pre-Paid Advance Date.

The PPA provides that in respect of any Pre-Paid Advance, if the VWAP of shares of Common Stock is less than the Floor Price for at least five trading days during a period of seven consecutive trading days or the Company has issued substantially all of the shares of Common Stock available under the Exchange Cap, then the Company is required to make monthly cash payments of amounts outstanding under any Pre-Paid Advance beginning on the third trading day after the triggering date and continuing on the same day of each successive calendar month until the entire amount of such Pre-Paid Advance balance has been paid or until the payment obligation ceases. Pursuant to the PPA, the monthly payment obligation ceases if the Exchange Cap no longer applies or the VWAP is greater than 120% of the Floor Price for a period of five consecutive trading days, unless a subsequent triggering date occurs.

The Company, at its option, has the right, but not the obligation, to repay early in cash a portion or all amounts outstanding under any Pre-Paid Advance, provided that the VWAP of the Common Stock is less than the Fixed Price during a period of ten consecutive trading days immediately prior to the date on which the Company delivers a notice to Yorkville of its intent and such notice is delivered at least 10 trading days prior to the date on which the Company will make such payment ("Optional Prepayment"). If elected, the Optional Prepayment includes a 6% payment premium ("Payment Premium"). If any Pre-Paid Advances are outstanding and any event of default has occurred, the full amount outstanding under the Pre-Paid Advances plus the Payment Premium, together with interest and other amounts owed in respect thereof, will become, at Yorkville's election, immediately due and payable in cash.

On April 11, 2023, the Company received an aggregate of $15.0 million on account of the initial Pre-Paid Advance in accordance with the PPA. The net proceeds of $13.5 million received by the Company from Yorkville reflect a 10% discount of $1.5 million in accordance with the PPA. Additionally, in connection with the PPA, the Company incurred $0.9 million in placement and legal fees, which the Company classifies as debt issuance costs. The discount and the debt issuance costs are reported as a direct deduction from the face amount of the PPA and are amortized monthly based on the effective interest rate method. The amortization of the discount and debt issuance costs are reported as interest expense in the condensed consolidated statements of operations.

Since the receipt of the initial Pre-Paid Advance, 8.0 million shares of Common Stock have been issued to Yorkville, reducing the principal of initial Pre-Paid Advance by $3.8 million. Additionally, on June 22, 2023, the Company made an Optional Prepayment of $3.7 million in accordance with the PPA, consisting of $3.5 million of principal and $0.2 million attributed to the Payment Premium. As of June 30, 2023, the net carrying amount of the PPA is $6.7 million and is presented in current portion of long-term debt within the condensed consolidated balance sheet as of June 30, 2023. The net carrying amount of $6.7 million is composed of $7.7 million in principal and $(1.0) million in discount and debt issuance costs.

Interest expense incurred under the PPA for the three and six months ended June 30, 2023 totaled $1.7 million, which was the result of the amortization and reductions due to conversions and repayments. The effective interest rate for the PPA for the three and six months ended June 30, 2023 was 19.4%.

As of June 30, 2023, there were 121.7 million of additional shares of Common Stock issuable under the Exchange Cap.

Convertible notes payable. We assumed $5.4 million principal of convertible notes payable of Clinigence outstanding at the merger date. The convertible notes payable were fully converted into 3,474,430 shares of common stock at a conversion price of $1.55 per share before their maturity on July 31, 2022. Debt discount totaling $1.7 million was accreted over four months to the maturity date of the convertible notes payable.

Note 9 – Leases

We have entered into hospital property, office and equipment rental agreements with various lessors including related parties. The following tables disclose information about our leases of property and equipment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Operating lease cost	$ 938,502	$ 862,642	$ 1,887,017	$ 1,555,311
Finance lease cost:				
Amortization of right-of-use assets	$ 2,547,035	$ 3,539,969	$ 5,031,310	$ 4,467,633
Interest on lease liabilities	2,826,321	3,770,058	5,514,841	4,750,677
Total finance lease cost	$ 5,373,356	$ 7,310,027	$ 10,546,151	$ 9,218,310

Note 10 – Commitments and Contingencies

Litigation. From time to time, the Company, its consolidated subsidiaries or VIEs may be named in various claims and legal actions in the normal course of business. Based upon counsel and management's opinion, the outcome of such matters is not expected to have a material adverse effect on the consolidated financial statements.

Note 11 – Stock-based Compensation

In 2022, the Company adopted the Amended and Restated Nutex Health Inc. 2022 Equity Incentive Plan (the "2022 Plan"). The maximum aggregate number of shares that may be issued under the 2022 Plan is 5,000,000 shares, subject to increases on January 1st of each calendar year through January 1, 2027 of up to 5% annually at the discretion of the compensation committee of our Board of Directors. A total of 1,248,072 shares of common stock, par value $0.001 per share ("Common Stock") of the Company were available for issuance under the 2022 Plan at June 30, 2023. On June 29, 2023, the stockholders of the Company approved the Amended and Restated Nutex Health Inc. 2023 Equity Incentive

Plan (the "2023 Plan") and an additional 8,751,928 new shares of Common Stock were made available for issuance under the 2023 Plan, which replaces the 2022 Plan. On June 30, 2023, a total of 10,000,000 shares of Common Stock were available for issuance under the 2023 Plan.

Awards granted under the 2023 Plan may be incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units or performance shares. The awards are granted at an exercise price equal to the fair market value on the date of grant.

Obligations for under-construction and ramping hospitals. Under the terms of the Contribution Agreements, contributing owners of the under-construction hospitals and ramping hospitals are eligible to receive a one-time additional issuance of Company common stock.

- With respect to ramping hospitals, 24 months after the opening date (the "Determination Date") of the applicable ramping hospital, such owner is eligible to receive such owner's pro rata share of a number of shares of Company Common Stock equal to (i) the trailing twelve months earnings before interest, taxes, depreciation and amortization on the respective Determination Date, multiplied by (ii) 10, (iii) minus the initial equity value received at the Closing of the Merger, and (iv) minus such owner's pro rata share of the aggregate debt of the applicable ramping hospital outstanding as of the closing of the Merger. The number of additional shares to be issued will be determined based on the greater of (a) the price of the Company's common stock at the time of determination or (b) $2.80.

- With respect to under construction hospitals, contributing owners of under construction hospitals will be eligible to receive, on the Determination Date, such owner's pro rata share of a number of shares of Company common stock equal to (a)(i) the trailing twelve months earnings before interest, taxes, depreciation and amortization as of the Determination Date multiplied by (ii) 10, minus (iii) the aggregate amount of such owner's capital contribution to the under construction hospital, minus (iv) such owner's pro rata share of the aggregate debt of the applicable under construction hospital outstanding as of the Closing of the Merger, divided by (b) the greater of (i) the price of the Company common stock at the time of determination or (ii) $2.80.

We have not recognized any expense for this stock-based compensation based on our current estimates of future obligations to the contributing owners.

Options. Clinigence had 6,500,010 options for the purchase of our common stock outstanding as of the merger date, all of which were fully vested and exercisable. The following table summarizes stock-based awards activity:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Options outstanding at April 1, 2022 merger date	6,500,010	$ 2.30	6.62
Options exercised	(312,019)	2.08	
Options cancelled	—	—	
Options outstanding at June 30, 2022	6,187,991	$ 2.30	6.17
Options outstanding at December 31, 2022	5,147,770	$ 2.30	7.60
Options exercised	—	—	
Options cancelled	—	—	
Options outstanding at June 30, 2023	5,147,770	$ 2.30	7.10

Options outstanding as of June 30, 2023 consisted of:

Expiration Date	Number Outstanding	Number Exercisable	Exercise Price
March 15, 2025	157,196	157,196	$ 4.47
January 27, 2027	180,000	180,000	1.50
May 11, 2027	350,000	350,000	1.50
June 6, 2027	3,600	3,600	36.25
August 16, 2027	25,000	25,000	2.51
January 28, 2028	180,000	180,000	1.61
January 27, 2030	296,865	296,865	1.50
February 28, 2030	95,794	95,794	1.25
June 30, 2030	117,056	117,056	1.45
August 4, 2029	40,480	40,480	5.56
January 28, 2031	1,000,000	1,000,000	1.61
February 28, 2031	200,000	200,000	2.00
September 9, 2031	1,934,779	1,934,779	2.75
September 9, 2031	410,000	410,000	2.75
December 17, 2031	157,000	157,000	3.50
Total	5,147,770	5,147,770	

Restricted Stock Units. On April 1, 2023, the Company issued 604,158 Restricted Stock Units ("RSUs"), valued at $0.6 million to certain employees. Total of 214,719 RSU Common Shares vested on April 1, 2023, another 194,719 common shares will vest on March 1, 2024 and another 194,719 common shares will vest on March 1, 2025.

For grants of restricted stock units, we recognize compensation expense over the applicable vesting period equal to the fair value of our common stock at grant date. Grants of restricted stock units generally vest one third per year on each of the first three anniversaries of the grant date. The following table summarizes the changes in restricted stock units during the six months ended June 30, 2023.

	Shares (in thousands)	Weighted Average Grant-Date Fair Value Per Share
Non-vested awards, January 1, 2023	—	—
Granted	604	$1.01
Vested	(215)	1.01
Non-vested awards, June 30, 2023	389	$1.01

As of June 30, 2023, we estimate $0.4 million of unrecognized compensation cost related to restricted stock units issued to our employees to be recognized over the weighted-average vesting period of 1.3 years.

Employee Stock Purchase Plan. In May 2023, the Board of Directors adopted the 2023 Employee Stock Purchase Plan ("2023 ESPP"), which was subsequently approved by the Company's stockholders and became effective in June 2023. The 2023 ESPP authorizes the initial issuance of up to 5,000,000 shares of the Company's common stock to eligible employees, who are entitled to purchase shares of common stock equal to 85% of the closing price on the purchase date with accumulated payroll deductions. During the three and six months ended June 30, 2023, the Company did not issue any shares under the ESPP.

Note 12 – Equity

We are authorized to issue up to a total of 950,000,000 shares of common stock having a par value of $0.001 per share. Holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders and to receive ratably in proportion to the shares of common stock held by them any dividends declared from time to time by the board of directors. Our common stock has no preferences or rights of conversion, exchange, pre-exemption or other subscription rights.

Common Stock Issued. Following is a discussion of common stock issuances during the periods presented. See *Note 8 – Debt* for issuances that were registered on the Company's registration statement on Form S-3 under the Securities Act of 1933. All issuances referenced below were unregistered and were exempt from the registration requirements of the Securities Act of 1933, as amended, under Section 4(a)(2).

- At the time of the Merger, Clinigence had 50,961,109 common shares outstanding. These amounts are shown as issued by us in the presentation of consolidated financial statements as the accounting acquiror.
- In March 2023, we issued 1,000,000 common shares to Apollo Medical Holdings, Inc. for IPA managerial services. We recognized $1.9 million of stock-based compensation expense for this issuance. This expense should have been recognized on December 31, 2022. However, we consider this expense not material for revision and thus, it is presented as an out-of-period adjustment in the 2023 financial statements.

Warrants. Previous optionholders of Clinigence had 12,401,240 common stock warrants outstanding as of the merger date. Warrant activity follows:

	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Warrants outstanding at April 1, 2022 merger date	12,401,240	$ 2.04	4.65
Warrants exercised	(2,187,225)	2.27	
Warrants outstanding at June 30, 2022	10,214,015	$ 2.04	4.60
Warrants outstanding at December 31, 2022	11,033,015	$ 1.96	3.80
Warrants exercised	(1,456,453)	1.55	
Warrants expired	(3,000)	25.00	
Warrants outstanding at June 30, 2023	9,573,562	$ 2.02	3.26

In the first quarter of 2023, 702,285 shares of common stock were issued in satisfaction of cashless exercises of warrants to purchase of 806,453 shares of common stock. In the second quarter of 2023, 566,042 shares of common stock were issued in satisfaction of cashless exercises of warrants to purchase 650,000 shares of common stock. Warrants outstanding as of June 30, 2023 consisted of:

Expiration Date	Number Outstanding	Number Exercisable	Exercise Price
December 31, 2024	554,873	554,873	$ 6.67
October 31, 2025	16,250	16,250	1.25
October 31, 2025	1,566,451	1,566,451	1.55
February 26, 2026	288,235	288,235	4.00
July 31, 2026	2,532,900	2,532,900	1.55
May 31, 2027	4,614,853	4,614,853	1.75
Total	9,573,562	9,573,562	

Note 13 – Income Taxes

Income tax provisions for interim quarterly periods are generally based on an estimated annual effective income tax rate calculated separately from the effect of significant, infrequent or unusual items related specifically to interim periods. The income tax impact of discrete items is recognized in the period these occur.

In periods before the merger with Clinigence, Nutex Health Holdco LLC and the Nutex Subsidiaries were pass-through entities treated as partnerships for U.S. federal income tax purposes. No provision for federal income taxes was provided for these periods as federal taxes were obligations of these companies' members. After the merger, Nutex Health Holdco LLC became a wholly-owned subsidiary of Clinigence and will be included in its future consolidated corporate tax filings. We recognized a non-cash charge of $20.8 million to income tax expense during the three months ended June 30, 2022 for the change in tax status of Nutex Health Holdco LLC. This charge provides for the accumulated net deferred tax liabilities representing the differences between the book and tax bases of Nutex Health Holdco LLC's assets and liabilities as of the April 1, 2022 change in tax status.

At the time of the merger, Clinigence had a full valuation allowance against its deferred tax assets. During the three months ended June 30, 2022, we recorded a non-cash benefit of $2.4 million to income tax expense to remove the acquired valuation allowance after we concluded that the associated deferred tax assets would be realizable. Each of the discrete items above are one-time, non-cash items.

Our effective tax rate for the three and six months ended June 30, 2023 was 16.1% and 13.4%, respectively. Excluding the discrete items above, our effective rate tax rate for the three months ended June 30, 2022 was 25.2%.

Note 14 – Earnings per Share

The following is the computation of earnings (loss) per basic and diluted share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Amounts attributable to Nutex Health Inc.:				
Numerator-				
Net income (loss) attributable to common stockholders	$ (3,479,047)	$ (19,284,846)	$ (8,626,326)	$ 2,245,456
Denominator:				
Weighted average shares used to compute basic EPS	656,563,166	646,370,173	653,755,031	619,728,949
Dilutive effect of convertible note	-	-	-	851,611
Dilutive effect of common stock options	-	-	-	2,285,171
Dilutive effect of common stock warrants	-	-	-	4,127,086
Weighted average shares used to compute diluted EPS	656,563,166	646,370,173	653,755,031	626,992,817
Earnings (loss) per share:				
Basic	$ (0.01)	$ (0.03)	$ (0.01)	$ 0.00
Diluted	$ (0.01)	$ (0.03)	$ (0.01)	$ 0.00

The computation of diluted earnings per common share excludes the 5,147,770 common stock options and 9,573,562 warrants for the three and six months ended June 30, 2023. The dilutive effect of convertible debt was calculated using the if-converted method, whereas the dilutive effect of the assumed exercise of outstanding options and warrants was calculated using the treasury stock method.

Note 15 - Supplemental Cash Flows Information

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash paid for interest	$ 858,773	$ 5,705,603
Cash paid for income taxes	737,000	631,400
Non-cash investing and financing activities:		
Financed capital expenditures	4,111,435	-
Acquisition of finance leases	18,798,667	9,937,104
Exercise of warrants on cashless basis	1,268	-
Issuance of restricted stock units	249,645	-
Issuance of common stock to Apollo Medical Holdings, Inc.	1,900,000	-
Deconsolidation of Real Estate Entity	4,258,133	-
Convertible debt converted to common stock	3,232,439	-

Note 16 – Segment Information

We report the results of our operations as three segments in our consolidated financial statements: (i) the hospital division, (ii) the population health management division and (ii) the real estate division. The determination of our reporting segments was made on the basis of our strategic priorities, which corresponds to the manner in which our Chief Executive Officer, as our chief operating decision maker, reviews and evaluates operating performance to make decisions about resources to be allocated. We evaluate the performance of our reportable segments based on, among other measures, operating income, which is defined as income before interest expense, other income (expense), and taxes. Corporate costs primarily include expenses for support functions and salaries and benefits for corporate employees and are excluded from segment operating results.

Reportable segment information, including intercompany transactions, is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue from external customers:				
Hospital division	$ 51,611,803	$ 51,604,679	$ 100,899,967	$ 130,731,921
Population health management division	7,312,651	6,443,254	14,353,904	6,443,254
Total revenue	$ 58,924,454	$ 58,047,933	$ 115,253,871	$ 137,175,175
Segment operating income:				
Hospital division	9,105,114	6,894,923	13,883,751	42,710,419
Population health management division	541,809	(257,002)	610,895	(257,002)
Total segment operating income	$ 9,646,923	$ 6,637,921	$ 14,494,646	$ 42,453,417
Capital expenditures:				
Hospital division	3,069,919	1,364,694	7,446,902	3,730,053
Real estate division	-	6,665,209	-	12,891,673
Total capital expenditures	$ 3,069,919	$ 8,029,903	$ 7,446,902	$ 16,621,726
Revenue from inter-segment activities:				
Real estate division	$ 258,015	$ 7,943,243	$ 516,030	$ 11,989,212
Depreciation and amortization:				
Hospital division	3,715,868	2,703,655	7,279,890	5,096,326
Population health management division	411,614	387,984	799,661	387,984
Real estate division	41,678	40,846	83,356	45,036
Total depreciation and amortization	$ 4,169,160	$ 3,132,485	$ 8,162,907	$ 5,529,346

Note 17 – Related Party Transactions

Related party transactions included the following:

- The Physician LLCs employ the doctors who work in our hospitals. We have no direct ownership interest in these entities but they are owned and, in some instances, controlled by related parties including our CEO, Dr. Thomas Vo. The Physician LLCs are consolidated by the Company as VIEs because they do not have significant equity at risk, and we have historically provided support to them in the event of cash shortages and received the benefit of their cash surpluses.

  In connection with the merger with Clinigence, we forgave certain amounts due from Physician LLCs for past advances made by us in support of their operations. We recognized net expense of $1.5 million in the three months ended March 31, 2022 as other expense in the consolidated statements of operations.

  The Physician LLCs had outstanding obligations to their member owners, who are also Company stockholders, totaling $3.9 million at June 30, 2023 and $2.1 million at December 31, 2022 reported within accounts payable – related party in our consolidated balance sheets.

- Most of our hospital division facilities are leased from real estate entities which are owned by related parties. These leases are typically on a triple net basis where our hospital division is responsible for all operating costs, repairs and taxes on the facilities. Our obligations under these leases are presented in Note 9. During the three and six months ended June 30, 2023, we made cash payments for these lease obligations totaling $3.7 million and $7.2 million, respectively. Cash payments for these lease obligations made in the three and six months ended June 30, 2022 totaled $3.3 million and $6.2 million, respectively.

- We consolidate Real Estate Entities as VIEs when they do not have sufficient equity at risk and our hospital entities are guarantors or co-borrowers under their outstanding mortgage loans. The consolidated Real Estate Entities have mortgage loans payable to third parties which are collateralized by the land and buildings. We have no direct ownership interest in these entities but they are owned and, in some instances, controlled by related parties including our CEO. We deconsolidated 17 Real Estate Entities in the second quarter of 2022 and one Real Estate Entity in the first quarter of 2023. At June 30, 2023, two Real Estate Entities continue to be consolidated in our financial statements.

  In connection with the merger with Clinigence, we forgave certain amounts due from Real Estate Entities for past advances made by us. We recognized net expense totaling $0 and $0.6 million in the three and six months ended June 30, 2022 respectively, as other expense in the consolidated statements of operations. No such expense was recognized subsequently.

- Accounts receivable – related party included $1.3 million at June 30, 2023 and at December 31, 2022 due from noncontrolling interest owners of consolidated ER Entities.

- Micro Hospital Holding LLC, an affiliate controlled by our CEO, made advances to one of our hospital facilities, SE Texas ER. These advances totaled $1.4 million at June 30, 2023 and at December 31, 2022 and are reported as accounts payable – related party in our consolidated balance sheets. The advances have no stated maturity and bear no interest.

- Accounts payable – related party in our consolidated balance sheets included $0.1 million at June 30, 2023 and at December 31, 2022 for reimbursement of expenses incurred on our behalf.

- We provide managerial services to emergency centers owned and, in some instances, controlled by related parties including an entity controlled by our CEO. We recognized $0.2 million and $0.3 million of managerial fees within the hospital division in the three and six months ended June 30, 2023 for these services. In the three and six months ended June 30, 2022, we recognized $0.2 million and $0.6 million, respectively, of revenue for these services.

- Two of our ER Entities are obligated under managerial services agreements with related parties commencing in 2022. Payments under these agreements totaled $0.1 million and $0.4 million for the three and six months ended June 30, 2023 and $1.2 million and $1.6 million for the three and six months ended June 30, 2022.

Note 18 – Variable Interest Entities

The following tables provide the balance sheet amounts for consolidated VIEs:

	June 30, 2023		
	Real Estate Entities	Physician LLCs	AHISP IPA
Current assets	$ 2,099,795	$ 5,895,682	$ 8,667,617
Property and equipment, net	12,516,634	3,668	7,542
Other long-term assets	19,621,578	-	135,049
Total assets	$ 34,238,007	$ 5,899,350	$ 8,810,208
Current liabilities	718,227	3,132,356	8,782,088
Long-term liabilities	13,571,515	-	28,120
Total liabilities	14,289,742	3,132,356	8,810,208
Equity	19,948,265	2,766,994	-
Total liabilities and equity	$ 34,238,007	$ 5,899,350	$ 8,810,208

	December 31, 2022		
	Real Estate Entities	Physician LLCs	AHISP IPA
Current assets	$ 3,466,811	$ 6,915,710	$ 6,641,448
Property and equipment, net	16,726,986	3,668	-
Long-term assets	19,647,148	-	498,990
Total assets	$ 39,840,945	$ 6,919,378	$ 7,140,438
Current liabilities	2,326,335	4,831,617	7,109,758
Long-term liabilities	15,019,633	-	30,680
Total liabilities	17,345,968	4,831,617	7,140,438
Equity	22,494,977	2,087,761	-
Total liabilities and equity	$ 39,840,945	$ 6,919,378	$ 7,140,438

The assets of each of the ER Entities may only be used to settle the liabilities of that entity or its consolidated VIEs and may not be required to be used to settle the liabilities of any of the other ER Entities, other VIEs, or corporate entity. Additionally, the assets of corporate entities cannot be used to settle the liabilities of VIEs. The Company has aggregated all of the Physician LLCs and Real Estate Entities into two categories above, because they have similar risk characteristics, and presenting distinct financial information for each VIE would not add more useful information.

Real Estate Entities are consolidated by the Company as VIEs because they do not have sufficient equity at risk and our hospital entities are guarantors of their outstanding mortgage loans. We have been working with the third-party lenders to remove our guarantees of their outstanding mortgage loans. As these guarantees are released, the associated Real Estate Entity no longer qualifies as a VIE and is deconsolidated. We deconsolidated 17 Real Estate Entities in the second quarter of 2022 and one Real Estate Entity in the first quarter of 2023. There was no gain or loss on the deconsolidation of these entities. As of June 30, 2023, two Real Estate Entities continue to be consolidated in our financial statements.

At the date we deconsolidated these Real Estate Entities in the second quarter of 2022, they had $2.4 million of cash, $9.8 million of fixed assets (principally land and building), $0.5 million of other assets, $69.6 million of liabilities (principally mortgage indebtedness) and $31.4 million of equity reported as noncontrolling interests.

The Real Estate Entity we deconsolidated in the first quarter of 2023 had $1.0 million of cash, $8.4 million of fixed assets (principally land and building), $0.2 million of other assets, $5.4 million of liabilities (principally mortgage indebtedness) and $4.3 million of equity reported as noncontrolling interests as of the date of deconsolidation.

Note 19 - Subsequent Events

The Company has evaluated subsequent events through the filing of this report and determined that there have been no events that have occurred that would require adjustments to our disclosures in the consolidated financial statements.

* * * * *

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the unaudited consolidated financial statements and the notes thereto included in Part I, Item 1, "Financial Statements" of this Quarterly Report on Form 10-Q.

Explanatory Note

On April 1, 2022 (the "Merger Date"), Nutex Health Holdco LLC and Clinigence Holdings, Inc. ("Clinigence") completed the merger (the "Merger") contemplated by the Agreement and Plan of Merger (the "Merger Agreement") dated as of November 23, 2021 between Clinigence, Nutex Acquisition LLC, a Delaware limited liability company and wholly-owned subsidiary of Clinigence, Nutex, Micro Hospital Holding LLC (solely for the purposes of certain sections of the Merger Agreement), Nutex Health Holdco LLC and Thomas Vo, M.D., solely in his capacity as the representative of the equity holders of Nutex. Immediately following the completion of the Merger, Clinigence amended its certificate of incorporation and bylaws to change its name to "Nutex Health Inc." In connection with the Merger, each outstanding equity interest of Nutex Health Holdco LLC was exchanged for 3.571428575 shares of Clinigence common stock. The Merger was accounted for as a reverse business combination under U.S. GAAP. Therefore, Nutex Health Holdco LLC was treated as the accounting acquirer in the Merger. Our financial statements presented for periods prior to the Merger Date are those of Nutex Health Holdco, LLC, as the Company's predecessor entity. Beginning with the second quarter of 2022, our financial statements are presented on a consolidated basis and include Clinigence.

Except where the context indicates otherwise, (i) references to "we," "us," "our," or the "Company" refer, for periods prior to the completion of the Merger, to Nutex Health Holdco LLC and its subsidiaries, (ii) references the "Nutex Health" for periods following the completion of the Merger, refer to Nutex Health Inc. and its subsidiaries and (ii) references to "Clinigence" refer to Clinigence Holdings, Inc. and its subsidiaries prior to the completion of the Merger.

Overview

Nutex Health Inc. is a physician-led, healthcare services and operations company with 20 hospital facilities in eight states (hospital division), and a primary care-centric, risk-bearing population health management division. Our hospital division implements and operates different innovative health care models, including micro-hospitals, specialty hospitals and hospital outpatient departments ("HOPDs"). The population health management division owns and operates provider networks such as independent physician associations ("IPAs") and offers a cloud-based proprietary technology platform to IPAs which aggregates clinical and claims data across multiple settings, information systems and sources to create a holistic view of patients and providers.

We employ approximately 800 full time employees and partner with over 900 physicians. Our corporate headquarters is based in Houston, Texas. We were incorporated on April 13, 2000 in the state of Delaware.

Our financial statements present the Company's consolidated financial condition and results of operations including those of majority-owned subsidiaries and variable interest entities ("VIEs") for which we are the primary beneficiary.

The hospital division includes our healthcare billing and collections organization and hospital entities. In addition, we have financial and operating relationships with multiple professional entities (the "Physician LLCs") and real estate entities (the "Real Estate Entities"). The Physician LLCs employ the doctors who work in our hospitals. These entities are consolidated by the Company as VIEs because they do not have significant equity at risk, and we have historically provided support to the Physician LLCs in the event of cash shortages and received the benefit of their cash surpluses.

The Real Estate Entities own the land and hospital buildings which are leased to our hospital entities. The Real Estate Entities have mortgage loans payable to third parties which are collateralized by the land and buildings. We consolidate the Real Estate Entities as VIEs in instances where our hospital entities are guarantors or co-borrowers under their outstanding mortgage loans. Since the second quarter of 2022, we deconsolidated 18 Real Estate Entities after the third-party lenders released our guarantees of associated mortgage loans.

The Company has no direct or indirect ownership interest in the Physician LLCs or Real Estate Entities, so 100% of the equity for these entities is shown as noncontrolling interest in the consolidated balance sheets and statements of operations.

The population health management division includes our management services organizations and a healthcare information technology company providing a cloud-based platform for healthcare organizations. In addition, AHISP, IPA, a physician-affiliated entity that is not owned by us—is consolidated as a VIE of our wholly-owned subsidiary AHP since we are the primary beneficiary of their operations under AHP's management services contracts with them.

Sources of revenue. Our hospital division recognizes net patient service revenue for contracts with patients and in most cases a third-party payor (commercial insurance, workers compensation insurance or, in limited cases, Medicare/Medicaid).

We receive payment for facility services rendered by us from federal agencies, private insurance carriers, and patients. The Physician LLCs receive payment for doctor services from these same sources. On average, greater than 90% of our net patient service revenue are paid by insurers, federal agencies, and other non-patient third parties. The remaining revenues are paid by our patients in the form of copays, deductibles, and self-payment. The following tables present the allocation of the estimated transaction price with the patient between the primary patient classification of insurance coverage:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Insurance	93%	92%	93%	92%
Self pay	4%	8%	4%	8%
Workers compensation	2%	0%	2%	0%
Medicare/Medicaid	1%	0%	1%	0%
Total	100%	100%	100%	100%

The population health management division recognizes revenue for capitation and management fees for services to IPAs and physician groups and for the licensing, training, and consulting related to our cloud-based proprietary technology. Capitation revenue consists primarily of capitated fees for medical services provided by physician-owned entities we consolidate as VIEs. Capitated arrangements made directly with various managed care providers including HMOs. Capitation revenues are typically prepaid monthly to us based on the number of enrollees selecting us as their healthcare provider. Capitation is a fixed payment amount per patient per unit of time paid in advance for the delivery of health care services, whereby the service providers are generally liable for excess medical costs. We receive management fees that are received based on gross capitation revenues of the IPAs or physician groups we manage.

Our growth plans. We plan to expand our operations by entering new market areas either through development of new hospitals, formation of new IPAs or by making acquisitions. In 2023, we have opened healthcare facilities in Fort Smith (Arkansas), Alhambra (California), Albuquerque (New Mexico), and Mandeville (Louisiana).

We identify new market areas for hospitals based on the area's need for access to emergency health services and growth expectations. We identify and partner with local physicians who will operate and manage the new location. When developing new hospitals, we have a turn-key process for location selection, real estate acquisition, design, and development of the facility including staffing, training and operations. We extend our existing comprehensive suite of centralized services to operating hospitals, including executive management, billing, collections, recruiting and marketing.

Overview of Legislative Developments

The U.S. Congress and many state legislatures have introduced and passed a large number of proposals and legislation designed to make major changes in the healthcare system, including changes that have impacted access to health insurance. The most prominent of these efforts, the *Affordable Care Act*, affects how healthcare services are covered, delivered and reimbursed. The Affordable Care Act increased health insurance coverage through a combination of public program expansion and private sector health insurance reforms. There is uncertainty regarding the ongoing net effect of the Affordable Care Act due to the potential for continued changes to the law's implementation and its interpretation by government agencies and courts. There is also uncertainty regarding the potential impact of other health reform efforts at the federal and state levels.

In response to the COVID-19 pandemic, federal and state governments passed legislation, promulgated regulations, and have taken other administrative actions intended to assist healthcare providers in providing care to COVID-19 and other patients during the public health emergency and to provide financial relief. Among these, the *Coronavirus Aid, Relief, and Economic Security Act* ("CARES Act") had the most impact on our business.

The CARES Act included a waiver of insurance copayments, coinsurance, and annual deductibles for laboratory tests to diagnose COVID-19 and visits to diagnose COVID-19 at an emergency department of a hospital. These provisions of the CARES Act expired on June 30, 2021. While these provisions were effective, we experienced higher levels of revenue due to a shift of payor mix. The larger number and acuity of patient claims for COVID-19 also resulted in higher revenue.

No Surprises Act

The No Surprises Act ("NSA") is a federal law that took effect January 1, 2022, to protect consumers from most instances of "surprise" balance billing. With respect to the Company, the NSA limits the amount an insured patient will pay for emergency services furnished by an out-of-network provider. The NSA addresses the payment of these out-of-network providers by group health plans or health insurance issuers (collectively, "insurers"). In particular, the NSA requires insurers to reimburse out-of-network providers at a statutorily calculated "out-of-network rate." In states without an all-payor model agreement or specified state law, the out-of-network rate is either the amount agreed to by the insurer and the out-of-network provider or an amount determined through an independent dispute resolution ("IDR") process.

Under the NSA, insurers must issue an initial payment or notice of denial of payment to a provider within thirty days after the provider submits a bill for an out-of-network service. If the provider disagrees with the insurer's determination, the provider may initiate a thirty-day period of open negotiation with the insurer over the claim. If the parties cannot resolve the dispute through negotiation, the parties may then proceed to IDR arbitration.

Independent Dispute Resolution. The provider and insurer each submits a proposed payment amount and explanation to the arbitrator. The arbitrator must select one of the two proposed payment amounts taking into account the "qualifying payment amount" and additional circumstances including among other things the level of training, outcomes measurements of the facility, the acuity of the individual treated, and the case mix and scope of services of the facility providing the service. The NSA prohibits the arbitrator from considering the provider's usual and customary charges for an item or service, or the amount the provider would have billed for the item or service in the absence of the NSA.

Qualifying Payment Amount. The "qualifying payment amount" is generally "the median of the contracted rates recognized by the plan or issuer under such plans or coverage, respectively, on January 31, 2019, for the same or a similar item or service that is provided by a provider in the same or similar specialty and provided in the geographic region in which the items or service is furnished," with annual increases based on the consumer price index. In other words, the qualifying payment amount is typically the median rate the insurer would have paid for the service if provided by an in-network provider or facility.

HHS Final Rule. As required by the NSA, the United States Department of Health and Human Services ("HHS") has established an IDR process under which a certified IDR entity determines the ultimate amount of payment. The HHS' final rule became effective October 25, 2022. The final rule eliminated the rebuttable presumption that the qualified payment amount is the correct price and also abandoned the requirement that the certified IDR entity must select the offer closest to the qualifying payment amount. These key provisions were initially part of the interim rule issued in 2021 and were challenged by several court cases. Under the final rule, the certified IDR entity must instead select the offer that best reflects the value of the item or service provided, by first considering the QPA and then considering "additional information" that is relevant to the dispute. The Texas Medical Association on November 30, 2022 filed an additional lawsuit challenging how insurers are establishing the QPA under the final rules, alleging that the final rules allow insurers to include what is referred to in the healthcare industry as "ghost rates," which are rates included in contracts with providers who do not actually provide the specified service and as a result are lower than rates a provider would have incentive to meaningfully negotiate, thus artificially lowering the QPA. According to the Texas Medical Association, this practice stands in violation of the congressional definition of the QPA as the median of the contracted rates recognized by the plan or insurer for the same or similar item or service that is provided by a provider in the same or similar specialty in the same geographic region. As of the date hereof, the U.S. District Court in the Eastern District of Texas has not yet issued a ruling.

Since the NSA became effective January 1, 2022, our average payment by insurers of patient claims for emergency services has declined by approximately 30%. In our experience, insurers often initially pay amounts lower than the QPA without regard for other information relevant to the claim. This requires us to make more appeals using the IDR process. While we are working within the established processes for IDR, we have had varying successes at achieving collections higher than the established QPA.

On March 17, 2023, the Centers for Medicare & Medicaid Services ("CMS") issued new guidance ("Guidance") applicable to the independent dispute resolution ("IDR") process in the NSA effective for payment determinations made on or after February 6, 2023 for items and services furnished on or after October 25, 2022 for plan years (in the individual market, policy years) beginning on or after January 1, 2022. The revisions were put in place to help balance the arbitration process by including the recent Texas Medical Association Court Order and removing "double counting" provisions. From now on, independent arbiters must consider all evidence given to them by the disputing parties, and not just the Qualified Payment Amount (QPA).

Under the Guidance, Certified IDR Entities now must consider:

- QPA(s) for the applicable year for the qualified IDR item or service; and
- other information submitted by a party as long as it does not contain prohibited factors.

Generally, parties may submit additional information regarding any of the circumstances of the services provided. Under the Guidance, the certified IDR entity now must consider all information submitted to determine the appropriate payment rate. Previously, there was a rebuttable presumption that the QPA was the appropriate payment amount, and the IDR entity was not required to consider any additional factors. This news comes as a major win for Nutex Health and other providers' quest to make the arbitration process more equitable and straightforward.

After being suspended for services rendered after October 25, 2022, IDR entities on March 17, 2023 were instructed to resume payments. However, on August 4, 2023, the HHS and CMS again temporarily suspended the federal IDR process, including the ability to initiate new disputes, until the HHS and CMS can provide new instructions in response to the summary judgement granted by the U.S. District Court for the Eastern District of Texas on August 3, 2023 in favor of the Texas Medical Association vacating the HHS' December 2022 decision to increase, without notice, the administrative fee required to initiate IDR arbitration from $50 to $350. We do not expect that this IDR suspension will materially impact the reimbursement amounts we receive due to the generally low percentage of arbitrations we initiate. We do however anticipate that this additional favorable court ruling will further enhance the fairness of the reimbursement process under the NSA.

We are supportive of industry efforts seeking to amend the NSA final rule. Our experience, like that of many other healthcare providers, is that the final rule continues to unfairly favor insurers in the determination of the QPA we receive for our healthcare services. It is difficult to predict the outcome of efforts to challenge or amend the final rule. As well, there can be no assurance that third-party payors will not attempt to further reduce the rates they pay for our services or that additional rules issued under the NSA will not have adverse consequences to our business.

Recent Developments

NASDAQ Letter. On May 22, 2023, the Company received a letter (the "Nasdaq Staff Deficiency Letter") from The Nasdaq Stock Market LLC ("Nasdaq") indicating that, for the prior thirty (30) consecutive business days, the bid price for the Company's common stock had closed below the minimum $1.00 per share requirement for continued listing on The Nasdaq Capital Market under Nasdaq Listing Rule 5550(a)(2) (the "Minimum Bid Price Requirement").

In accordance with Nasdaq Listing Rule 5810(c)(3)(A), the Company has been provided an initial period of 180 calendar days, or until November 20, 2023, to regain compliance. The letter states that the Nasdaq staff will provide written notification that the Company has achieved compliance with Rule 5550(a)(2) if at any time before November 20, 2023 (the "Compliance Period"), the bid price of the Company's common stock closes at $1.00 per share or more for a minimum of ten (10) consecutive business days. The Nasdaq Staff Deficiency Letter has no immediate effect on the listing or trading of the Company's common stock.

The Company intends to continue actively monitoring the bid price for its shares of common stock between now and the expiration of the Compliance Period and will consider all available options to resolve the deficiency with every intention to regain compliance with the Minimum Bid Price Requirement.

If the Company does not regain compliance with Rule 5550(a)(2) by November 20, 2023, the Company may be eligible for an additional 180 calendar day compliance period. To qualify, the Company would be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the bid price requirement, and would need to provide written notice of its intention to cure the deficiency during the second compliance period, for example, by effecting a reverse stock split, if necessary. However, if it appears to the Nasdaq staff that the Company will not be able to cure the deficiency, or if the Company is otherwise not eligible, Nasdaq would notify the Company that its securities would be subject to delisting. In the event of such a notification, the Company may appeal the Nasdaq staff's determination to delist its securities. There can be no assurance that the Company will be eligible for the additional 180 calendar day compliance period, if applicable, or that the Nasdaq staff would grant the Company's request for continued listing subsequent to any delisting notification.

Results of Operations

We report the results of our operations as three segments in our consolidated financial statements: (i) the hospital division, (ii) the population health management division and (ii) the real estate division. Activity within our business segments is significantly impacted by demand for healthcare services we provide, competition for these services in each of the market areas we serve, and the legislative changes discussed above.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue:				
Hospital division	$ 51,611,803	$ 51,604,679	$ 100,899,967	$ 130,731,921
Population health management division	7,312,651	6,443,254	14,353,904	6,443,254
Total revenue	58,924,454	58,047,933	115,253,871	137,175,175
Segment operating income:				
Hospital division	9,105,114	6,894,923	13,883,751	42,710,419
Population health management division	541,809	(257,002)	610,895	(257,002)
Total segment operating income	9,646,923	6,637,921	14,494,646	42,453,417
Corporate and other costs:				
Facilities closing costs	-	-	217,266	-
Acquisition costs	-	3,885,666	-	3,885,666
Stock-based compensation expense	249,645	54,166	2,149,645	54,166
General and administrative expenses	9,759,816	4,076,566	16,935,360	10,653,089
Total corporate and other costs	10,009,461	8,016,398	19,302,271	14,592,921
Interest expense	4,843,048	4,369,609	7,983,137	6,225,583
Other expense	(123,528)	(1,403,222)	123,927	977,323
Income (loss) before taxes	(5,082,058)	(4,344,864)	(12,914,689)	20,657,590
Income tax expense (benefit)	(815,612)	19,653,286	(1,726,271)	19,829,609
Net income (loss)	(4,266,446)	(23,998,150)	(11,188,418)	827,981
Less: net loss attributable to noncontrolling interests	(787,399)	(4,713,304)	(2,562,092)	(1,417,475)
Net income (loss) attributable to Nutex Health Inc.	$ (3,479,047)	$ (19,284,846)	$ (8,626,326)	$ 2,245,456
Adjusted EBITDA	$ 3,994,539	$ 10,114,140	$ 6,432,393	$ 34,248,338

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

We reported a net loss attributable to Nutex Health Inc. of $3.5 million, or a loss of $0.01 per share, for the three months ended June 30, 2023 as compared with net loss attributable to Nutex Health Inc. of $19.3 million, or $0.03 per diluted share, for same period of 2022. Our 2023 results were principally affected by:

- Lower patient visits, decreasing by 3.0% during the three months ended June 30, 2023 as compared with the same period of 2022 due mostly to seasonality and the closure of three facilities in the quarter; and
- Start-up costs of $1.2 million for the opening of four new opened and/or in-development hospital facilities in 2023 to date.

Adjusted EBITDA for the three months ended June 30, 2023 was $4.0 million as compared to $10.1 million for the comparable period of 2022. Refer to Non-GAAP Financial Measures discussed below for a definition and reconciliation of Adjusted EBITDA. The items affecting revenue and start-up costs contributed significantly to the decline in Adjusted EBITDA in the 2023 period.

A discussion of our segment results is included below.

Hospital Division. Our revenue for the three months ended June 30, 2023 totaled $51.6 million as compared to $51.6 million for the same period of 2022.

The following table shows the number of patient visits during the periods:

	Three Months Ended June 30,	
	2023	**2022**
Patient visits:		
Hospital	32,183	33,175

Total patient visits decreased 3.0% during the three months ended June 30, 2023 as compared with the same period of 2022 primarily due closure of three hospital facilities in the first quarter of 2023.

The hospital division’s operating income was $9.1 million during the three months ended June 30, 2023, up compared with income of $6.9 million in the same period of 2022, an increase of 34%. Our operating income for the second quarter of 2023 was positively affected by a reduction in operating costs. We renegotiated contract personnel agreements to better align with our operations. In addition, we have made significant progress with the IDR process for both the NSA (Federal) as well as the Texas Department of Insurance. We have made a significant investment in the revenue cycle team to address this IDR process. In the three months ending June 30, 2023, revenue per patient for the period is trending favorably compared to the same period in 2022.

Of the three hospitals that we opened in 2023, only one facility had significant volume to report in the three months ending June 30, 2023. As the other two facilities opened in late June 2023, there was no meaningful patient volume during this period.

Population Health Management Division. We completed our reverse business combination with Clinigence in April 2022. Clinigence's operations are reported as the population health management division. Our total revenue for the three months ended June 30, 2023 was $7.3 million as compared with $6.4 million for the same period of 2022. The increase was due to higher capitation revenue earned.

The population health management division had $0.5 million of operating income for the three months ended June 30, 2023. In the same period of 2022, we incurred a loss of $0.3 million. Strategically, we are focused on the growth of this division principally through the addition of new independent physician associations and have staffed our organization to manage larger numbers of such organizations.

Real Estate Division. This division reports the operations of consolidated Real Estate Entities where we provide guarantees of their indebtedness or are co-borrowers.

Revenue and operating expenses of consolidated Real Estate Entities are not significant since the extent of these entities’ operations is to own facilities leased to our hospital division entities which are financed by a combination of contributed equity by related parties and third-party mortgage indebtedness. Such leases are typically on a triple net basis where our hospital division is responsible for all operating costs, repairs and taxes on the facilities. Finance lease income is recognized outside of segment operating income as other income by the Real Estate Entities. However, these amounts are largely eliminated in the consolidation of these entities into our financial statements.

At June 30, 2023, two Real Estate Entities continue to be consolidated in our financial statements. We expect that hospitals we open in the future may be leased from new Real Estate Entities which may be owned in whole or part by related parties. Third-party lenders to these entities may require that we provide a guarantee or become co-borrowers under mortgage indebtedness financings for such facilities. In such instances, we may be required to consolidate these new Real Estate Entities in our financial statements as VIEs.

Corporate and other costs. Corporate and other costs in the three months ended June 30, 2023 totaled $10.0 million as compared to $8.0 million for the same period of 2022. General and administrative costs include our executive management, accounting, human resources, corporate technology, insurance and professional fees. We have incurred higher levels of professional fees as a public company. We recognized $0.2 million of stock-based compensation expense related to the issuance of RSUs.

Nonoperating items

Interest expense. Interest expense totaled $4.8 million in the three months ended June 30, 2023 as compared with $4.4 million for the same period of 2022. The increase in interest expense for the 2023 period is principally due to discount amortization expense associated with the Pre-paid Advance Agreement.

Income tax expense. Income tax provisions for interim quarterly periods are generally based on an estimated annual effective income tax rate calculated separately from the effect of significant, infrequent or unusual items related specifically to interim periods. The income tax impact of discrete items is recognized in the period these occur.

Our effective tax rate for the three months ended June 30, 2023, excluding the non-deductible goodwill impairment expense, was approximately 16.1%. The primary difference from the federal statutory rate of 21% is related to state taxes, income of noncontrolling interests in flow-through entities and permanent differences for non-deductible expenses.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

We reported a net loss attributable to Nutex Health Inc. of $8.6 million, or a loss of $0.01 per share, for the six months ended June 30, 2023 as compared with net income attributable to Nutex Health Inc. of $2.2 million, or $0.00 per diluted share, for same period of 2022. Our 2023 results were principally affected by:

- A reduction in net revenue from lower patient visits, which decreased by 30.0% during the six months ended June 30, 2023 as compared with the same period of 2022 due mostly to increased COVID-19 visits in January 2022;
- Issuance in March 2023 of 1,000,000 common shares for total expense of $1.9 million to Apollo Medical Holdings, Inc. for IPA managerial services; and
- Start-up costs of $1.7 million for the opening of four new opened and/or in-development hospital facilities in 2023 to date.

Adjusted EBITDA for the six months ended June 30, 2023 was $6.4 million as compared to $34.2 million for the comparable period of 2022. Refer to Non-GAAP Financial Measures discussed below for a definition and reconciliation of Adjusted EBITDA. The items affecting revenue contributed significantly to the decline in Adjusted EBITDA in the 2023 period.

A discussion of our segment results is included below.

Hospital Division. Our revenue for the six months ended June 30, 2023 ended totaled $100.9 million as compared to $130.7 million for the same period of 2022, a decrease of 23% caused by a reduction in both collection amounts and the number of patient visits.

The following table shows the number of patient visits during the periods:

	Six Months Ended June 30,	
	2023	**2022**
Patient visits:		
Hospital	65,244	84,931

Total patient visits decreased 30.0% during the six months ended June 30, 2023 as compared with the same period of 2022. Patient visits in the 2022 period included significant volumes of COVID-19 related cases.

The hospital division's operating income was $13.9 million during the six months ended June 30, 2023, down as compared with income of $42.7 million in the same period of 2022, a decrease of 67%. Our operating income for the first six months of 2023 was adversely affected by the reduction in net revenue and start-up costs for new opened and in-development facilities discussed above. Additionally, we have made professional staffing additions in line with our operations. We have incurred $1.4 million in 2023 for locations opening in the future. In addition, we have made significant progress with the IDR process for both the NSA (Federal) as well as the Texas Department of Insurance. We have made a significant investment in the revenue cycle team to address this IDR process. In the six months ending June 30, 2023, revenue per patient for the period is trending favorably compared to the same period in 2022.

Of the three hospitals that we opened in 2023, only one facility had significant volume to report in the six months ending June 30, 2023. As the other two facilities opened in late June 2023, there was no meaningful patient volume during this period.

Population Health Management Division. We completed our reverse business combination with Clinigence in April 2022. Clinigence's operations are reported as the population health management division. Our total revenue for the six months ended June 30, 2023 was $14.4 million consisting of capitation revenue of $12.3 million, management fees of $1.5 million and SaaS revenue of $0.6 million. Capitation revenue is recognized by our consolidated VIE, AHISP. We do not have an equity interest in this VIE but consolidate it since we are the primary beneficiary of its operations under our management services contract with them. We also earn management fees under our management services contracts with other IPAs and MSOs which are reported as revenue.

The population health management division had $0.6 million of operating income for the six months ended June 30, 2023. Strategically, we are focused on the growth of this division principally through the addition of new independent physician associations and have staffed our organization to manage larger numbers of such organizations.

Real Estate Division. This division reports the operations of consolidated Real Estate Entities where we provide guarantees of their indebtedness or are co-borrowers. During the first six months of 2023, we deconsolidated one Real Estate Entities after the third-party lenders released our guarantees of associated mortgage loans.

Revenue and operating expenses of consolidated Real Estate Entities are not significant since the extent of these entities' operations is to own facilities leased to our hospital division entities which are financed by a combination of contributed equity by related parties and third-party mortgage indebtedness. Such leases are typically on a triple net basis where our hospital division is responsible for all operating costs, repairs and taxes on the facilities. Finance lease income is recognized outside of segment operating income as other income by the Real Estate Entities. However, these amounts are largely eliminated in the consolidation of these entities into our financial statements.

At June 30, 2023, two Real Estate Entities continue to be consolidated in our financial statements. We expect that hospitals we open in the future may be leased from new Real Estate Entities which may be owned in whole or part by related parties. Third-party lenders to these entities may require that we provide a guarantee or become co-borrowers under mortgage indebtedness financings for such facilities. In such instances, we may be required to consolidate these new Real Estate Entities in our financial statements as VIEs.

Corporate and other costs. Corporate and other costs in the six months ended June 30, 2023 included general and administrative expenses totaling $19.3 million. General and administrative costs include our executive management, accounting, human resources, corporate technology, insurance and professional fees. We have incurred higher levels of professional fees as a public company. During the six months ended June 30, 2023, we incurred closing costs of $0.2 million due to the closure of three facilities in January 2023. In addition, we have made staffing and management additions commensurate with our operational growth. We recognized $1.9 million of stock-based compensation expense for the issuance in March 2023 of 1,000,000 common shares to Apollo Medical Holdings, Inc. for IPA managerial services, and $0.2 million for the April 2023 issuance of RSUs. The $1.9 million of stock-based compensation expense should have been recognized on December 31, 2022. However, we consider this expense not material for revision and thus, it is presented as an out-of-period adjustment in the 2023 financial statements.

Nonoperating items

Interest expense. Interest expense totaled $8.0 million in the six months ended June 30, 2023 as compared with $6.2 million for the same period of 2022. The increase in interest expense for the 2023 period is principally due to discount amortization expense associated with the Pre-paid Advance Agreement.

Income tax expense. Income tax provisions for interim quarterly periods are generally based on an estimated annual effective income tax rate calculated separately from the effect of significant, infrequent or unusual items related specifically to interim periods. The income tax impact of discrete items is recognized in the period these occur.

Our effective tax rate for the six months ended June 30, 2023, excluding the non-deductible goodwill impairment expense, was approximately 13.4%. The primary difference from the federal statutory rate of 21% is related to state taxes, income of noncontrolling interests in flow-through entities and permanent differences for non-deductible expenses.

Liquidity and Capital Resources

As of June 30, 2023, we had $32.8 million of cash and equivalents, compared to $34.3 million of cash and equivalents at December 31, 2022.

Significant sources and uses of cash during the first six months of 2023.

Sources of cash:
- Cash from operating activities was $1.1 million, which included $2.6 million from the primary components of our working capital (receivables, inventories, accounts payable and expenses).
- We received net proceeds of $9.8 million from borrowings under notes payable and lines of credit.

Uses of cash:
- Capital expenditures were $7.4 million.
- Distributions, net of contributions, to noncontrolling interests totaling $2.0 million.
- Cash associated with the deconsolidated Real Estate Entity totaled $1.0 million.

Future sources and uses of cash. Our operating activities are financed with cash on hand which is generated from revenues, which may vary significantly based on regulatory changes affecting the timing and amounts of insurance reimbursements for our services. Most of our hospital facilities are leased from various lessors including related parties. These leases are presented in our consolidated balance sheets unless the lease is from a consolidated Real Estate Entity. Our growth plans include the development of new hospital locations. We expect that in many of these locations we will lease facilities from newly established entities partially owned by related parties.

We routinely enter into equipment lease agreements to procure new or replacement equipment and may also finance these purchases with term debt. We have smaller lines of credits available for working capital purposes and are presently working to supplement or replace these with larger financing commitments. These larger financing commitments are subject to market conditions and we may not be able to obtain such larger financing commitments at favorable economic terms or at all. We also believe that our existing cash, cash equivalents, and marketable securities, and available borrowing capacity, in addition to the remaining net proceeds under the Pre-Paid Advance received from Yorkville, will be sufficient to meet our anticipated cash needs requirements for operations and growth objectives for at least the next twelve months. If the assumptions underlying our business plan regarding future revenue and expenses change or if unexpected opportunities or needs arise, we may seek to raise additional cash by selling equity or debt securities.

Indebtedness. The Company's indebtedness at June 30, 2023 is presented in Item I, "Financial Statements – Note 8 – Debt" and our lease obligations are presented in Item I, "Financial Statements—Note 9 – Leases."

Off-Balance Sheet Arrangements

As of June 30, 2023, we had no material off-balance sheet arrangements.

Non-GAAP Financial Measures

Adjusted EBITDA. Adjusted EBITDA is used as a supplemental non-GAAP financial measure by management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies. We believe Adjusted EBITDA is useful because it allows us to more effectively evaluate our operating performance.

We define Adjusted EBITDA as net income (loss) attributable to Nutex Health Inc. plus net interest expense, income taxes, depreciation and amortization, further adjusted for stock-based compensation, any facilities closing costs, acquisition related costs and impairments. A reconciliation of net income to Adjusted EBITDA is included below. Adjusted EBITDA is not intended to serve as an alternative to U.S. GAAP measures of performance and may not be comparable to similarly-titled measures presented by other companies.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Reconciliation of net income (loss) attributable to Nutex Health Inc. to Adjusted EBITDA:				
Net income (loss) attributable to Nutex Health Inc.	$ (3,479,047)	$ (19,284,846)	$ (8,626,326)	$ 2,245,456
Depreciation and amortization	4,169,160	3,132,485	8,162,907	5,529,346
Interest expense, net	4,843,048	4,369,609	7,983,137	6,225,583
Income tax expense (benefit)	(815,612)	19,653,286	(1,726,271)	19,829,609
Allocation to noncontrolling interests	(972,655)	(1,696,226)	(1,727,965)	(3,521,488)
EBITDA	3,744,894	6,174,308	4,065,482	30,308,506
Facilities closing costs	-	-	217,266	-
Acquisition costs	-	3,885,666	-	3,885,666
Stock-based compensation expense	249,645	54,166	2,149,645	54,166
Adjusted EBITDA	$ 3,994,539	$ 10,114,140	$ 6,432,393	$ 34,248,338

Significant Accounting Policies

The preparation of financial statements and related disclosures in accordance with GAAP requires management to make judgments, assumptions and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. Note 1 to the Consolidated Financial Statements included in the Form 10-K for the year ended December 31, 2022 describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. The Company's critical accounting policies that are impacted by judgments, assumptions and estimates are described in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2022. Since December 31, 2022, there have been no material changes in the Company's accounting policies that are impacted by judgments, assumptions and estimates, except for the following:

Convertible debt. The Company accounts for convertible debt that does not meet the criteria for equity treatment in accordance with the guidance contained in Accounting Standards Update ("ASU") 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. Accordingly, the Company elected to classify the convertible debt as a liability at amortized cost using the effective interest method. The

Company classifies convertible debt based on the re-payment terms and conditions. Any discounts on the convertible debt and costs incurred upon issuance of the convertible debt are amortized to interest expense over the terms of the related convertible debt. Convertible debt is also analyzed for the existence of embedded derivatives, which may require bifurcation from the convertible debt and separate accounting treatment. Refer to Note 8 for information regarding convertible debt.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

With respect to the three months and six months ended June 30, 2023, there have been no material changes in our primary market risk exposures or how those exposures are managed since the information disclosed in our 2022 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In accordance with Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision of our CEO and our CFO, the effectiveness of disclosure controls and procedures as of June 30, 2023. Based on this evaluation, the Company concluded that our disclosure controls and procedures were not effective as of June 30, 2023 due to the material weakness previously identified as described below.

Previously Reported Material Weaknesses. We previously identified material weaknesses in our internal control over financial reporting in our Form 10-K for the year ended December 31, 2022, based on criteria established in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). Based on our assessment, the following material weaknesses were identified:

- The Company did not design and implement logical access controls for certain financially relevant systems. Business process controls, both automated and manual, that are dependent upon the information derived from those financially relevant systems were also determined to be ineffective as a result of such deficiency;

- Business process controls across the entity's financial reporting processes were not effectively designed and implemented to properly address the risk of material misstatement, including controls without proper segregation of duties between preparer and reviewer and key management review controls; and

- Ineffective design and implementation of controls over the completeness and accuracy of information included in key spreadsheets supporting the financial statements.

Management has concluded that, based on applying the COSO criteria, as of December 31, 2022, the Company's internal control over financial reporting was not effective to provide reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Remediation Plans. These material weaknesses did not result in material misstatement of the Company's consolidated financial statements for the periods presented. The Company has started the process of designing and implementing effective internal control measures to remediate the material weakness. The Company's efforts include the implementation of a new enterprise-wide system in the first quarter of 2023 that will reduce reliance on manual processes and spreadsheets supporting the financial statements. Additionally, the Company has engaged a firm to assist in the proper design, implementation and testing of internal controls over financial reporting. We expect to add key senior management positions including a Chief Operating Officer as well in the near term. We have also made some additions to our accounting and financial reporting teams in 2023.

While we believe that these efforts will improve our internal control over financial reporting, our remediation efforts are ongoing and will require validation and testing of the design and operating effectiveness of internal controls. The actions that we are taking are subject to ongoing senior management review, as well as audit committee oversight. We will not be able to conclude whether the steps we are taking will fully remediate the remaining material weakness in our internal control over financial reporting until we have completed our remediation efforts and subsequent evaluation of their effectiveness. We may also conclude that additional measures may be required to remediate the material weakness in our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting. We are taking actions to remediate the material weakness relating to our internal control over financial reporting, as described above. Except as otherwise described herein, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We are making changes to our internal control over financial reporting in connection with the implementation of our new enterprise-wide system in the first quarter of 2023.

Inherent Limitations on Effectiveness of Disclosure Controls and Procedures. Our senior members of management do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings.*

From time to time, the Company, its consolidated subsidiaries or VIEs may be named in various claims and legal actions in the normal course of business. The Company is not involved in any legal proceedings that it believes would have a material effect on its business or financial condition.

Item 1A. *Risk Factors.*

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risk factors and other cautionary statements described under the heading "Risk Factors" included in our Form 10-K for the year ended December 31, 2022 and our Form 10-Q for the three months ended March 31, 2023, and the risk factors and other cautionary statements contained in our other SEC filings, which could materially affect our businesses, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results. In addition, you should carefully consider the risks described below.

We may not be able to maintain compliance with the continued listing requirements of The Nasdaq Global Market.

Our common stock is listed on the Nasdaq Capital Market ("Nasdaq"). In order to maintain that listing, we must satisfy minimum financial and other requirements including, without limitation, a requirement that our closing bid price be at least $1.00 per share. On May 22, 2023, the Company received a letter from Nasdaq indicating that, for the last thirty consecutive business days, the bid price for the Company's common stock had closed below the minimum $1.00 per share requirement for continued listing on Nasdaq Capital Market under Nasdaq Listing Rule 5550(a)(2). As reported on the Company's current report on Form 8-K dated May 22, 2023, the Company has an initial period of 180 calendar days, or until November 20, 2023, to regain compliance. If we fail to regain compliance or fail to continue to meet all applicable continued listing requirements for Nasdaq in the future and Nasdaq determines to delist our common stock, the delisting could adversely affect the market liquidity of our common stock, our ability to obtain financing to repay debt and fund our operations.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds.***

Recent Sales of Unregistered Securities; use of proceeds from registered securities.

Common Stock Issued. In the second quarter of 2023, 566,042 shares of common stock were issued in satisfaction of cashless exercises of warrants to purchase of 650,000 shares of common stock. The Company issued common stock warrants to accredited investors in private placements exempt from registration under Section 4(a)(2) of the Securities Act of 1933, as amended.

During the second quarter of 2023, the Company issued 8,035,737 shares of common stock to Yorkville, reducing the principal amount outstanding under the initial Pre-Paid Advance.

Item 3. ***Defaults upon Senior Securities.***

Not Applicable

Item 4. ***Mine Safety Disclosures***

Not Applicable

Item 5. ***Other Information.***

Trading Arrangements

During the fiscal quarter ended June 30, 2023, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (in each case, as defined in Item 408(a) of Regulation S-K) for the purchase or sale of the Company's securities.

Item 6. Exhibits

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on July 5, 2023 (File N0. 001-41346).
10.1	Amended and Restated Nutex Health Inc. 2023 Equity Incentive Plan (incorporated by reference to Appendix A to the Registrant's Final Proxy Statement filed on May 19, 2023 (File No. 001-41346).
10.2	Nutex Health Inc. 2023 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.2 filed with the Registrant's Current Report on Form 8-K (File No. 001-41346), as filed July 5, 2023).
31.1*	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (This exhibit shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.)
32.2*	Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (This exhibit shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.)
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 9, 2023.

Nutex Health Inc.

By: /s/ Thomas T. Vo
Thomas T. Vo
Chief Executive Officer and Chairman of the Board
(principal executive officer)

By: /s/ Jon C. Bates
Jon C. Bates
Chief Financial Officer
(principal financial officer and principal accounting officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Thomas T. Vo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nutex Health. Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2023

By: /s/ Thomas T. Vo
Thomas T. Vo
Chief Executive Officer and Chairman of the Board
(principal executive officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Jon C. Bates, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nutex Health. Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2023

By: /s/ Jon C. Bates
Jon C. Bates
Chief Financial Officer
(principal financial officer and principal accounting officer)

Exhibit 32.1

CERTIFICATION OF

CHIEF EXECUTIVE OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES OXLEY ACT OF 2002

Solely for the purposes of complying with 18 U.S.C. s.1350 as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002, I, the undersigned Chief Executive Officer of Nutex Health Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2023, (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2023

By: /s/ Thomas T. Vo

Thomas T. Vo

Chief Executive Officer and Chairman of the Board

(principal executive officer)

Exhibit 32.2

CERTIFICATION OF

CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES OXLEY ACT OF 2002

Solely for the purposes of complying with 18 U.S.C. s.1350 as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002, I, the undersigned Chief Financial Officer of Nutex Health Inc. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2023, (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2023

By: /s/ Jon C. Bates
Jon C. Bates
Chief Financial Officer
(principal financial officer)