

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

FORM 10-Q

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

For the quarterly period ended March 31, 2024

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

For the transition period from _____ to _____

Commission File Number:
333-271198

Inspire Veterinary Partners, Inc.
(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

85-4359258

(I.R.S. Employer Identification No.)

**780 Lynnhaven Parkway
Suite 400
Virginia Beach, Virginia**

(Address of principal executive offices)

23452

(Zip Code)

(757) 734-5464

(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 |
|---|--------------------------|--|
| Class A Common Stock, par value \$0.0001 per share | IVP | The Nasdaq Stock Market LLC |

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

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

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

Large accelerated filer
Non-accelerated filer

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

As of May 15, 2024, the registrant had 958,053 ordinary shares issued and outstanding.

**INSPIRE VETERINARY PARTNERS, INC.
QUARTERLY REPORT ON FORM 10-Q
March 31, 2024**

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following unaudited interim financial statements of Inspire Veterinary Partners, Inc. (referred to herein as the "Company," "we," "us" or "our") are included in this Quarterly Report on Form 10-Q (the "Quarterly Report").

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States and the rules of the Securities and Exchange Commission (the "SEC"). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the periods presented have been reflected herein. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

INSPIRE VETERINARY PARTNERS, INC.
Financial Statements
Index to the Consolidated Financial Statements

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Inspire Veterinary Partners, Inc. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets

| | <u>March 31, 2024</u> | <u>December 31, 2023</u> |
|---|---------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 69,077 | \$ 178,961 |
| Accounts receivable, net | 341,488 | 28,573 |
| Due from former owners | - | 32,519 |
| Inventory | 545,660 | 571,512 |
| Refundable income tax | 151,796 | 151,796 |
| Prepaid expenses and other current assets | 2,031,311 | 388,759 |
| Total current assets | <u>3,139,332</u> | <u>1,352,120</u> |
| | | |
| Restricted cash - non-current | 200,000 | 200,000 |
| Property and equipment, net | 7,966,721 | 7,949,144 |
| Right-of-use assets | 1,562,367 | 1,616,198 |
| Other intangibles, net | 2,305,014 | 2,513,028 |
| Goodwill | 8,147,590 | 8,147,590 |
| Other assets | 73,989 | 12,895 |
| Total assets | <u>\$ 23,395,013</u> | <u>\$ 21,790,975</u> |
| Liabilities and Stockholder's Deficit | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,521,759 | \$ 3,206,594 |
| Accrued expenses | 455,227 | 858,334 |
| Cumulative Series A preferred stock dividends payable | 2,250 | 92,322 |
| Operating lease liabilities | 133,113 | 141,691 |
| Loan payable, net of discount | 2,338,067 | 1,713,831 |
| Bridge note, net of discount | - | - |

Liabilities and Stockholder's Deficit

| | | |
|---|--------------|--------------|
| Current liabilities: | | |
| Accounts payable | \$ 3,521,759 | \$ 3,206,594 |
| Accrued expenses | 455,227 | 858,334 |
| Cumulative Series A preferred stock dividends payable | 2,250 | 92,322 |
| Operating lease liabilities | 133,113 | 141,691 |
| Loan payable, net of discount | 2,338,067 | 1,713,831 |
| Bridge note, net of discount | - | - |

| | | |
|--|---------------|---------------|
| Convertible note payable | 500,000 | - |
| Convertible debentures, net of issuance costs | - | 100,000 |
| Notes payable, net of discount | 1,501,562 | 1,469,043 |
| Total current liabilities | 8,451,978 | 7,581,815 |
| Operating lease liabilities, non-current | 1,482,514 | 1,514,044 |
| Notes payable - noncurrent | 13,190,668 | 13,483,375 |
| Total liabilities | 23,125,160 | 22,579,234 |
| | | |
| COMMITMENTS AND CONTINGENCIES (Note 12) | | |
| | | |
| STOCKHOLDER'S EQUITY (DEFICIT) | | |
| Common stock - Class A, \$ 0.0001 par value, 1 million shares authorized, 742,563 and 70,421 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively. | 74 | 7 |
| Common stock - Class B, \$ 0.0001 par value, 20 million shares authorized, 3,891,500 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively. | 389 | 389 |
| Convertible series A preferred stock, \$ 0.0001 par value, 2,000,000 shares authorized, 81,142 and 403,640 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively. | 8 | 40 |
| Additional paid in capital | 25,118,701 | 20,426,562 |
| Accumulated deficit | (24,849,319) | (21,215,257) |
| Total stockholder's equity (deficit) | 269,853 | (788,259) |
| Total liabilities and stockholder's equity (deficit) | \$ 23,395,013 | \$ 21,790,975 |

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

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Inspire Veterinary Partners, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations

| | For the Three Months Ended March 31, | |
|--|---|------------------------|
| | 2024 | 2023 |
| Service revenue | \$ 3,545,599 | \$ 3,072,885 |
| Product revenue | 1,285,968 | 1,209,630 |
| Total revenue | <u>4,831,567</u> | <u>4,282,515</u> |
| Operating expenses | | |
| Cost of service revenue (exclusive of depreciation and amortization, shown separately below) | 2,709,147 | 2,307,903 |
| Cost of product revenue (exclusive of depreciation and amortization, shown separately below) | 1,016,107 | 879,400 |
| General and administrative expenses | 2,873,343 | 1,801,659 |
| Debt extinguishment loss | 728,278 | - |
| Depreciation and amortization | 367,197 | 298,492 |
| Total operating expenses | <u>7,694,072</u> | <u>5,287,454</u> |
| Loss from operations | <u>(2,862,505)</u> | <u>(1,004,939)</u> |
| Other income (expenses): | | |
| Interest income | 2 | 1 |
| Interest expense | (559,289) | (545,435) |
| Other income | - | 11,424 |
| Total other expenses | <u>(559,287)</u> | <u>(534,010)</u> |
| Loss before income taxes | <u>(3,421,792)</u> | <u>(1,538,949)</u> |
| Benefit for income taxes | - | - |
| Net loss | <u>(3,421,792)</u> | <u>(1,538,949)</u> |
| Dividend on convertible series A preferred stock | (214,520) | - |
| Net loss attributable to class A and B common stockholders | <u>\$ (3,636,312)</u> | <u>\$ (1,538,949)</u> |
| Net loss per Class A and B common shares: | | |
| Basic and diluted | <u>\$ (8.97)</u> | <u>\$ (29.20)</u> |
| Weighted average shares outstanding per Class A and B common shares: | | |
| Basic and diluted | <u>405,484</u> | <u>52,705</u> |

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

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Inspire Veterinary Partners, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Changes in Stockholders' Deficit

| | | |
|----------------------|---------|---------|
| Convertible Series A | Class A | Class B |
|----------------------|---------|---------|

| | Preferred Stock | | Common Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit (As Restated) | Stockholders' Equity (Deficit) (As Restated) |
|---|--------------------------------------|--------|----------------------|--------|----------------------|--------|----------------------------|-----------------------------------|--|
| | No. of Shares | Amount | No. of Shares | Amount | No. of Shares | Amount | | | |
| December 31, 2022 | | | 9,705 | \$ 1 | 4,300,000 | \$ 430 | \$ 1,107,536 | \$ (6,243,448) | \$ (5,135,481) |
| Issuance of warrants to CEO | | | | | | | 2,701 | | 2,701 |
| Net loss | | | | | | | | (1,538,949) | (1,538,949) |
| March 31, 2023 | | | 9,705 | \$ 1 | 4,300,000 | \$ 430 | \$ 1,110,663 | \$ (7,782,397) | \$ (6,671,729) |
| | Convertible Series A Preferred Stock | | Class A Common Stock | | Class B Common Stock | | Additional Paid-in Capital | Accumulated Deficit (As Restated) | Stockholders' Deficit (As Restated) |
| | No. of Shares | Amount | No. of Shares | Amount | No. of Shares | Amount | | | |
| December 31, 2023 | 403,640 | \$ 40 | 70,421 | \$ 7 | 38,915 | \$ 389 | \$ 20,426,562 | \$ (21,215,257) | \$ (788,259) |
| Issuance of class A common stock and pre-funded warrants, net of issuance costs | - | - | 28,599 | 3 | - | - | 3,375,455 | - | 3,375,458 |
| Exercise of pre-funded warrants | - | - | 441,989 | 44 | - | - | (44) | - | - |
| Issuance of Class A common stock and pre-funded warrants in connection with commitment shares | - | - | 12,143 | 1 | - | - | 599,999 | - | 600,000 |
| Issuance of convertible series A preferred stock | 20,000 | 2 | - | - | - | - | 200,000 | - | 200,000 |
| Issuance of class A common stock for services | - | - | 39,051 | 4 | - | - | 286,692 | - | 286,696 |
| Issuance of class A common stock in connection with general release agreement | - | - | 2,460 | - | - | - | 20,000 | - | 20,000 |
| Conversion of convertible series A preferred stock into class A common stock | (363,725) | (36) | 147,899 | 15 | - | - | (15) | - | - |
| Convertible series A preferred stock cumulative dividends | - | - | - | - | - | - | (2,250) | - | (2,250) |
| Convertible series A preferred stock dividend | 21,227 | 2 | - | - | - | - | 212,270 | (212,270) | - |
| Net loss | - | - | - | - | - | - | - | (3,421,792) | (3,421,792) |
| March 31, 2024 | 81,142 | 8 | 742,563 | \$ 74 | 3,891,500 | \$ 389 | \$ 25,118,701 | \$ (24,849,319) | \$ 269,853 |

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

Inspire Veterinary Partners, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows

| | For the Three Months Ended March 31, | |
|---|---|----------------|
| | 2024 | 2023 |
| Cash flows from operating activities: | | |
| Net loss | \$ (3,421,792) | \$ (1,538,949) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 347,382 | 298,492 |
| Amortization of debt issuance costs | 15,825 | 70,212 |
| Amortization of debt discount | 379,313 | 242,631 |
| Amortization of operating right of use assets | 53,831 | 59,036 |
| Issuance of warrants to CEO | - | 2,701 |
| Issuance of class A common stock for services | 286,696 | - |
| Loss on debt modification | 728,278 | - |
| Issuance of class A common stock in connection with general release agreement | 20,000 | - |
| Issuance of Class A common stock and pre-funded warrants in connection with commitment shares | 600,000 | - |
| Changes in operating assets and liabilities, net of effect of acquisitions: | | |
| Accounts receivable | (312,915) | (70,553) |
| Due from former owners | 32,519 | 37,425 |
| Inventory | 25,852 | (18,459) |
| Prepaid expenses and other current assets | (1,642,552) | 60,414 |
| Other assets | (61,094) | (70,431) |
| Accounts payable | 315,165 | 550,043 |
| Accrued expenses | (403,107) | 118,450 |
| Cumulative Series A preferred stock dividends payable | (92,322) | - |
| Operating lease liabilities | (40,108) | (50,467) |
| Net cash used in operating activities | (3,169,029) | (309,455) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (156,945) | (14,002) |
| Net cash used in investing activities | (156,945) | (14,002) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of class A common stock and pre-funded warrants, net of issuance costs | 3,375,458 | - |
| Net proceeds from loan payable | 549,185 | - |
| Payments on loan payable | (1,032,540) | - |

| | | |
|---|-------------------|-------------------|
| Proceeds from issuance of convertible series A preferred stock | 200,000 | - |
| Proceeds from convertible note payable | 500,000 | |
| Repayment of note payable | (276,013) | (176,931) |
| Proceeds from issuance of convertible debentures | - | 650,000 |
| Repayment of convertible debentures | (100,000) | - |
| Net cash provided by financing activities | <u>3,216,090</u> | <u>473,069</u> |
| | | |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (109,884) | 149,612 |
| Cash, cash equivalents and restricted cash, beginning of period | 378,961 | 444,253 |
| Cash, cash equivalents and restricted cash, end of period | <u>\$ 269,077</u> | <u>\$ 593,865</u> |
| | | |

| | | |
|---|--------------|----------------------|
| Supplemental Disclosure of Cash Flow Information | | |
| Interest payments during the year | \$ 1,316,378 | \$ 239,430 |
| Income taxes paid (refunded) | <u>\$ -</u> | <u>\$ (188,952)</u> |

| | | |
|---|-------------------|-------------|
| Noncash investing and financing activity | | |
| Series A Preferred Stock Dividend Paid-in-Kind | <u>\$ 212,270</u> | <u>\$ -</u> |

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

Notes to Unaudited Condensed Consolidated Financial Statements
March 31, 2024

1. Description of Business

Business Description

Inspire Veterinary Partners, Inc. (the "Company" or "Inspire") is a C-corporation which incorporated in the state of Delaware on December 2, 2020. On June 29, 2022, the Company converted into a Nevada C-corporation ("Conversion"). The Conversion did not result in any change in the corporate name, business, management fiscal year, accounting, location of the principal executive officer, capitalization structure, or assets or liabilities of the Company. The Company owns and operates veterinary hospitals throughout the United States. The Company specializes in small animal general practice hospitals which serve all manner of companion pets, emphasizing canine and feline breeds.

As the Company expands, additional modalities are becoming a part of the offerings at its hospital, including equine care. With 14 clinics located in 10 states as of the date of this filing, Inspire purchases existing hospitals which have the financial track record, marketplace advantages and future growth potential to make them worthy acquisition targets. Because the company leverages a leadership and support structure which is distributed throughout the United States, acquisitions are not centralized to one geographic area. The Company operates its business as one operating and one reportable segment.

Services provided at owned hospitals include preventive care for companion animals consisting of annual health exams which include: parasite control; dental health; nutrition and body condition counseling; neurological examinations; radiology; bloodwork; skin and coat health and many breed specific preventive care services. Surgical offerings include all soft tissue procedures such as spays and neuters, mass removals, splenectomies and can also include gastropexies, orthopedic procedures and other types of surgical offerings based on a doctor's training. In many locations additional means of care and alternative procedures are also offered such as acupuncture, chiropractic and various other health and wellness offerings.

The Company is the managing member of IVP Practice Holdings Co., LLC ("Holdco"), a Delaware limited liability company, which is the managing member of IVP CO Holding, LLC ("CO Holdco"), a Delaware limited liability company, IVP FL Holding Co., LLC ("FL Holdco"), a Delaware limited liability company, IVP Texas Holding Company, LLC ("TX Holdco"), a Delaware limited liability company, KVC Holding Company, LLC ("KVC Holdco"), a Hawaii limited liability company, and IVP CA Holding Co., LLC ("CA Holdco"), a Delaware limited liability company, IVP MD Holding Company, LLC ("MD Holdco"), a Delaware limited liability company, IVP OH Holding ("OH Holdco"), Co., LLC, a Delaware limited liability company, IVP IN Holding Co., LLC ("IN Holdco"), a Delaware limited liability company, IVP MA Managing Co., LLC, a Delaware limited liability company ("MA Holdco"), and IVP PA Holding Company, LLC, a Delaware limited liability company ("PA Holdco"). The Company through Holdco, operates and controls all business and affairs of CO Holdco, FL Holdco, TX Holdco, KVC Holdco, CA Holdco, MD Holdco, OH Holdco, IN Holdco, MA Holdco and PA Holdco is used to acquire hospitals in various states and jurisdictions.

The Company is the managing member of IVP Real Estate Holding Co., LLC ("IVP RE"), a Delaware limited liability company, which is the managing member of IVP CO Properties, LLC ("CO RE"), a Delaware limited liability company, IVP FL Properties, LLC ("FL RE"), a Delaware limited liability company, IVP TX Properties, LLC ("TX RE"), a Delaware limited liability company, KVC Properties, LLC, ("KVC RE"), a Hawaii limited liability company, IVP CA Properties, LLC ("CA RE"), a Delaware limited liability company, IVP MD Properties, LLC ("MD RE"), a Delaware limited liability company, IVP OH Properties, LLC ("OH RE"), a Delaware limited liability company, IVP IN Properties, LLC ("IN RE"), a Delaware limited liability company, and IVP PA Properties, LLC ("PA RE"), a Delaware limited liability company. The Company through IVP RE operates and controls all business and affairs of CO RE, FL RE, TX RE, KVC RE, CA RE, MD RE, OH RE, IN RE and PA RE. IVP RE is used to acquire real property in various states and jurisdictions.

Inspire Veterinary Partners, Inc.

IVP Practice Holding Co., LLC

IVP Real Estate Holding Co., LLC



Initial Public Offering

On August 31, 2023, we closed our IPO of 16,000 shares of class A common stock, at a public price of \$ 400.00 per share. The total net proceeds we received in the IPO were approximately \$ 5.4 million after deducting underwriting discounts and commissions of \$ 512,000 and offering expenses of \$ 448,429 . The Company's class A common shares are traded on the Nasdaq Capital Market ("NASDAQ") under the symbol IVP.

2. RETROSPECTIVE ADJUSTMENTS

On May 8, 2024, the Company effected a 100-for-1 reverse stock split ("Reverse Split") of the Company's authorized and outstanding shares of Class A common stock . All information included in these financial statements have been adjusted, on a retrospective basis for all periods presented to reflect the Reverse Split, unless otherwise stated.

3. Significant Accounting Policies and Basis of Presentation

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto for the year ended December 31, 2023, which are included with the Company's Annual Report on Form 10-K and related amendments filed with the United States Securities Exchange Commission ("SEC"). Furthermore, the Company's significant accounting policies are disclosed in the audited consolidated financial statements for the years ended December 31, 2023 and 2022, included in the Company's Annual Report on Form 10-K filed with the SEC. Since the date of those audited consolidated financial statements, there have been no changes to the Company's significant accounting policies, except as noted below.

The accompanying unaudited interim condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification("ASC") and as amended by Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB").

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements for the periods presented reflect all adjustments, consisting of only normal recurring adjustments, necessary to fairly present the Company's financial position, results of operations, and cash flows. The December 31, 2023, condensed consolidated balance sheet was derived from audited financial statements, but does not include all GAAP disclosures. The unaudited condensed consolidated financial statements for the interim periods are not necessarily indicative of results for the full year.

On October 20, 2022, the Company amended and restated the articles of incorporation to change the designation of the Class A common stock and the Class B common stock, whereas the Class A common stock prior to the amendment had 25 votes per share is now designated Class B common stock and the Class B common stock prior the amendment had 1 vote per share is now designated Class A common stock. All information included in these unaudited condensed consolidated financial statements have been adjusted, on a retrospective basis to reflect the change in designation.

Going Concern

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred recurring losses and as of March 31, 2024, had an accumulated deficit of \$ 24,849,319 . For the three months ending March 31, 2024, the Company sustained a net loss of \$ 3,421,792 . These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern for the next twelve months from the date these financial statements were issued. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is contingent upon its ability to obtain additional financing and to generate revenue and cash flow to meet its obligations on a timely basis. The Company will continue to seek to raise additional funding through debt or equity financing during the next twelve months from the date of issuance of these financial statements. Management believes that actions presently being taken to obtain additional funding provide the opportunity for the Company to continue as a going concern. There is no guarantee the Company will be successful in achieving these objectives.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable and Allowance for Expected Credit Losses

Accounts receivable consist of amounts due from veterinary customers. The Company records an allowance for current expected credit losses for estimated losses inherent in its trade accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted for current market conditions, the financial condition of the customer, the amount of receivables in dispute, and the current receivables aging and payment patterns. The Company does not have any off-balance sheet credit exposure related to its customers. The allowance for current expected credit losses was \$ 123,513 as of March 31, 2024 and December 31, 2023.

Basic and Diluted Net Loss Per Share

Basic net loss per common share is computed by dividing net loss by the weighted-average number of common shares outstanding during each period. Diluted net loss per share of common shares includes the effect, if any, from the potential exercise or conversion of securities, such as convertible debt, share options and warrants, which would result in the issuance of incremental shares of common shares. For diluted net loss per share, the weighted-average number of common shares is the same for basic net loss per share due to the fact that when a net loss exists, dilutive securities are not included in the calculation as the impact is anti-dilutive. For all periods presented, basic and diluted net loss per share are the same, as any additional share equivalents would be anti-dilutive. As the Company has reported a net loss for all periods presented, diluted net loss per common share is the same as basic net loss per common share.

The following outstanding potentially dilutive Common Shares equivalents were excluded from the computation of diluted net loss per share for the periods presented because including them would have been antidilutive:

| | March 31, | |
|---------------------------------------|---------------|----------|
| | 2024 | 2023 |
| Warrants | 28,540 | - |
| Convertible Series A Preferred Shares | 27,047 | - |
| Total | 55,587 | - |

Emerging Growth Company Status

The Company is an Emerging Growth Company, as defined in Section 2(a) of the Securities Act of 1933, as modified by the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act, until such time as those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, these unaudited condensed consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

4. Property and equipment

As of March 31, 2024, and December 31, 2023, property and equipment, net, consisted of the following:

| | March 31, 2024 | December 31, 2023 |
|------------------------------------|---------------------|----------------------|
| Land | \$ 1,983,810 | \$ 1,839,596 |
| Computers and equipment | 1,425,774 | 1,425,774 |
| Furniture and fixtures | 143,874 | 143,874 |
| Automobile | 101,269 | 101,269 |
| Leasehold improvements | 656,255 | 499,310 |
| Buildings | 4,607,874 | 4,607,874 |
| | 8,918,856 | 8,761,911 |
| Less - accumulated depreciation | (952,135) | (812,767) |
| Property and Equipment, net | \$ 7,966,721 | \$ 7,949,144 |

Depreciation expense was \$ 139,368 and \$ 118,368 for the three months ended March 31, 2024 and 2023, respectively.

5. Goodwill and Intangible Assets

The following summarizes the Companies' intangibles assets as of March 31, 2024 and December 31, 2023:

| | March 31, 2024 | December 31, 2023 |
|--------------------------|-------------------|----------------------|
| Client List | \$ 2,071,000 | \$ 2,071,000 |
| Noncompete Agreement | 398,300 | 398,300 |
| Trademark | 1,117,200 | 1,117,200 |
| Other Intangible Assets | 45,836 | 45,836 |
| Accumulated amortization | (1,327,322) | (1,119,308) |
| | \$ 2,305,014 | \$ 2,513,028 |

Amortization expense was \$ 208,014 and \$ 180,124 for the three months ended March 31, 2024 and December 31, 2023, respectively.

Expected future amortization expense of intangible assets as of March 31, 2024, is as follows:

| | |
|-------------------|---------------------|
| Remainder of 2024 | 578,763 |
| 2025 | 664,166 |
| 2026 | 600,139 |
| 2027 | 379,382 |
| 2028 | 82,564 |
| | \$ 2,305,014 |

6. Business acquisitions

Valley Veterinary Service

On November 8, 2023, the Company acquired the animal hospital and related assets of Valley Veterinary Service, Inc., a Pennsylvania corporation ("Valley Vet Practice") by entering into an Asset Purchase Agreement ("Valley Vet APA") with Michelle Bartus, VMD and Peter Nelson, VMD ("Valley Vet") in exchange for the payment of \$ 800,000 in cash, issuance of restricted shares of the Company's Class A common stock equal to the quotient obtained by dividing \$ 400,000 by the official closing price of one share of Class A common stock as reported by the Nasdaq Capital Market on the trading date immediately prior to the closing and a holdback agreement for \$ 200,000 in cash that may be paid out at the end of the two year period following the acquisition based on continued employment by the two former owners and revenue targets for year 1 and year 2 following the effective date of the acquisition, which is not included in the consideration transferred through the Company's wholly owned subsidiary IVP PA Holding Company, LLC. Simultaneously, the real estate operations (land and building) utilized by the Valley Vet animal hospital were purchased through a Real Estate Purchase Agreement in exchange for \$ 590,000 from Valley Vet through the Company's wholly owned subsidiary, IVP PA Properties, LLC.

The total consideration paid for the combined acquisitions from the Valley Vet animal hospital in the amount of \$ 1,790,000 was accounted for as single business combinations, in accordance with ASC Topic 805. The Company will record the assets acquired and liabilities assumed at their respective fair values as of the acquisition date. Due to the timing of the acquisition, the Company's purchase accounting related to the valuation of the inventory, fixed assets, intangible assets, goodwill and liabilities assumed is not yet complete and subject to revision.

Consideration:

| | |
|--|--------------|
| Cash paid prior to the time of closing | \$ 1,390,000 |
| Convertible Note Payable | 400,000 |
| Acquisition costs included in general and administrative | 39,535 |

Recognized amounts of identifiable assets acquired

| | |
|---------------------------------------|---------------------|
| Inventory | 74,405 |
| Building | 445,786 |
| Land | 144,214 |
| Furniture, fixtures & equipment | 64,058 |
| Trademark (5 -year life) | 264,500 |
| Non-compete agreement (2 -year life) | 44,000 |
| Client list (5 -year life) | 220,000 |
| Total identifiable net assets assumed | 1,256,963 |
| Goodwill | 533,037 |
| Total | \$ 1,790,000 |

Pro-Forma Financial Information (Unaudited)

The following unaudited pro forma information presents the consolidated results of Valley Vet Practice included in the Company's consolidated statement of operations for the three months ended March 31, 2023, as if the acquisitions were made on January 1, 2023. The unaudited pro forma information is presented for illustrative purposes only. It is not necessarily indicative of the results of operations of future periods, or the results of operations that actually would have been realized had the entities been a single company during the periods presented or the results that the combined company will experience after the acquisition. The unaudited pro forma information does not give effect to the potential impact of current financial conditions, regulatory matters or any anticipated synergies, operating efficiencies or cost savings that may be associated with the acquisition. The unaudited pro forma information also does not include any integration costs or remaining future transaction costs that the companies may incur related to the acquisition as part of combining the operations of the companies. As a result of the adjustment, \$ 4,954 of amortization expense for the acquired intangible assets was applied in calculating the Net Loss, for the three months ended March 31, 2023.

The unaudited pro forma consolidated results of operations, assuming the acquisitions had occurred on January 1, 2023, are as follows:

| | For the Three Months Ended March 31, 2023 |
|-------------------|--|
| Revenue | \$ 4,723,308 |
| Net Income (Loss) | (1,488,111) |

7. Debt

Master Lending and Credit Facility

On June 25, 2021, the Company entered into a master line of credit loan agreement ("MLOCA") with Wealth South a division of Farmers National Bank of Danville, Kentucky ("FNBD"). The MLOCA provides for a \$ 2,000,000 revolving secured credit facility ("Revolving Line") to be drawn for the initial purchase of veterinary clinical practices ("Practices") and a \$ 8,000,000 closed end line of credit ("Closed End Line") to be disbursed as individual loans (Term Loans) to paydown draws on the Revolving Line and to provide longer term financing of the purchase of Practices. Each draw on the Revolving Line shall be repaid with a Term Loan out of the Closed End Line within one hundred and twenty (120) days of the draw on the Revolving Line. Each draw on the Revolving Line and the Closed End Line shall not exceed eighty-five (85 %) percent of the purchase price of the Practice. The Company shall contribute and maintain equity of a minimum of fifteen (15 %) percent of the initial purchase price of a Practice as long as any draw on the Revolving Line or a Term Loan remains unpaid with FNBD. The Revolving Line has an interest rate equal to the New York Prime Rate plus 0.50 % that shall never be less than 3.57 %. Each Term Loan issued under the Closed End Line shall have a fixed interest rate of 3.98 % for the first five years of the loan. Immediately following the fixed rate period, the rate of interest rate will equal to the New York Prime Rate plus 0.65 % that shall never be less than 3.57 %. Each Practice to be acquired must have a minimum projected debt-service coverage ratio ("DSCR") of 1.0 x, defined as earnings before interest depreciation and amortization ("EBIDA")/Annual Debt Service Requirement. The MLOCA terminates and the Revolving Line matures on June 25, 2023.

Under the MLOCA the Term Loans to acquire a Practice shall not exceed 10 years. The first twelve months of the Term Loan may be interest only. Thereafter, the Loan will convert to an amortizing loan with monthly principal and interest payments. For Practice only Term Loans ("Practice Term Loans"), after the initial twelve-month interest only period, the balance will amortize over 9 years. For Loans made to purchase real property ("RE Term Loans"), after the initial twelve-month interest only period, the balance will amortize over a 19 -year period.

There is no prepayment penalty on payments on the Revolving Line. The Term Loans are subject to a refinance fee of 2 % of the then

outstanding principal balance of the Term Loan if paid within two years of entering into the Term Loan and 1 % of the then outstanding principal balance of the Term Loan if paid within three to five years of entering into the Term Loan. The refinance fee is due only if the Term Loan is paid off by refinancing. Borrowing under the MLOCA are guaranteed by Kimball Carr, CEO & President of the Company.

On August 18, 2022 the MLOCA was amended and restated to terminate the revolving feature on the Revolving Line and convert the line of credit to a closed end draw note ("Closed End Draw Note") that mature on August 18, 2024. Each draw on the Closed End Draw Note shall not exceed eighty-five (85 %) percent of the purchase price of the Practice. The Company shall contribute and maintain equity of a minimum of fifteen (15 %) percent of the initial purchase price of a Practice as long as any draw on the Closed End Draw Note or a Term Loan remains unpaid with FNBD. The interest rate charge on all sums advance under the amended and restated MLOCA shall be 5.25 % for the first five years of the loan. Immediately following the fixed rate period, the rate of interest will be equal to the New York Prime Rate plus 0.65 % that shall never be less than 4.75 %. Each Practice to be acquired must have a minimum projected DSCR of 1.0x, defined as EBIDA/Annual Debt Service Requirement. The MLOCA terminates and the Closed End Draw Note matures on August 18, 2024.

Notes payable to FNBD as of March 31, 2024 and December 31, 2023 consisted of the following:

| Original Principal | Acquisition | Entered | Maturity | Interest | March 31, 2024 | December 31, 2023 | Issuance Cost |
|---------------------|--------------|----------|----------|----------|---------------------|---------------------|------------------|
| \$ 237,272 | CAH | 12/27/21 | 12/27/41 | 3.98% | \$ 235,150 | \$ 237,272 | \$ 6,108 |
| 231,987 | CAH | 12/27/21 | 12/27/31 | 3.98% | 226,582 | 231,987 | 6,108 |
| 216,750 | P&F | 12/27/21 | 12/27/41 | 3.98% | 214,812 | 216,750 | 5,370 |
| 318,750 | P&F | 12/27/21 | 12/27/31 | 3.98% | 311,323 | 318,750 | 5,370 |
| 817,135 | Pasco | 1/14/22 | 1/14/32 | 3.98% | 804,374 | 817,135 | 3,085 |
| 478,098 | Lytle | 3/15/22 | 3/15/32 | 3.98% | 478,098 | 478,098 | 1,898 |
| 663,000 | Lytle | 3/15/22 | 3/15/42 | 3.98% | 663,000 | 663,000 | 11,875 |
| 425,000 | Kern | 3/22/22 | 3/22/42 | 3.98% | 425,000 | 425,000 | 7,855 |
| 1,275,000 | Kern | 3/22/22 | 3/22/32 | 3.98% | 1,275,000 | 1,275,000 | 4,688 |
| 246,500 | Bartow | 5/18/22 | 5/18/42 | 3.98% | 246,500 | 246,500 | 5,072 |
| 722,500 | Bartow | 5/18/22 | 5/18/32 | 3.98% | 722,500 | 722,500 | 2,754 |
| 382,500 | Dietz | 6/15/22 | 6/15/32 | 3.98% | 382,500 | 382,500 | 1,564 |
| 445,981 | Aberdeen | 7/19/22 | 7/29/32 | 3.98% | 445,981 | 445,981 | 1,786 |
| 1,020,000 | All Breed | 8/12/22 | 8/12/42 | 3.98% | 1,020,000 | 1,020,000 | 8,702 |
| 519,527 | All Breed | 8/12/22 | 8/12/32 | 3.98% | 519,527 | 519,527 | 3,159 |
| 225,923 | All Breed | 8/12/22 | 8/12/32 | 5.25% | 225,923 | 225,923 | 3,159 |
| 637,500 | Williamsburg | 12/8/22 | 12/8/32 | 5.25% | 637,500 | 637,500 | 2,556 |
| 850,000 | Valley Vet | 11/8/23 | 11/8/33 | 5.25% | 850,000 | 850,000 | 3,315 |
| \$ 9,713,423 | | | | | \$ 9,141,096 | \$ 9,309,286 | \$ 84,424 |

The Company amortized \$ 1,543 and \$ 2,082 of issuance cost in the aggregate during the three months ending March 31, 2024 and 2023, respectively, for the FNBD notes payable.

FSB Commercial Loans

On January 11, 2021, the Company entered into three separate commercial loans with First Southern National Bank ("FSB") as part of the Kauai Veterinary Clinic, LLC acquisition. The first commercial loan in the amount of \$ 1,105,000 has a fixed interest rate of 4.35 % and a maturity date of January 15, 2024. The commercial loan was modified in January 2021 to extend the maturity date to February 25, 2041 . The fixed rate loan has monthly payments of \$ 6,903 and the interest rate remained at 4.35 %. The commercial loan had issuance costs of \$ 13,264 for the year ended December 31, 2021 that was capitalized and is being amortized straight line over the life of the loan. The Company amortized \$ 165 and \$ 163 of issuance cost during the three months ended March 31, 2024 and 2023, respectively.

The second commercial loan with FSB entered into on January 11, 2021 in the amount of \$ 1,278,400 has a fixed interest rate of 4.35 % and a maturity date of September 1, 2024. The commercial loan was modified in January 2021 to extend the maturity date to January 25, 2031 . The fixed rate loan has monthly payments of \$ 13,157 and the interest rate remained at 4.35 %. The commercial loan had issuance costs of \$ 10,085 for the year ended December 31, 2021 that was capitalized and is being amortized straight line over the life of the loan. The Company amortized \$ 253 and \$ 251 of issuance cost during the three months ended March 31, 2024 and 2023, respectively.

The third commercial loan with FSB entered into on January 11, 2021 in the amount of \$ 450,000 has a fixed interest rate of 5.05 % and a maturity date of September 11, 2021. The commercial loan was modified on August 25, 2021 to extend the maturity date to February 25, 2023 and increase the principal amount to \$ 469,914 . The fixed rate loan has monthly payments of \$ 27,164 and the interest rate remained at 5.05 %. The commercial loan had issuance costs of \$ 753 for the year ended December 31, 2021 that was capitalized and is being amortized straight line over the life of the loan. The Company amortized \$ 0 and \$ 58 of issuance cost during the three months ended March 31, 2024 and 2023, respectively.

On October 31, 2022 the company entered into three separate commercial loans with FSB as part of the Pony Express Practice acquisition. The first loan with FSB that was entered into on October 31, 2022, was in the amount of \$ 2,086,921 . The loan has a fixed interest rate of 5.97 % and a maturity date of October 31, 2025 . The fixed rate loan has monthly payments of \$ 23,138 except for a final monthly payment of \$ 1,608,530 . The commercial loan had issuance costs of \$ 25,575 for the year ended December 31, 2022, that was capitalized and is being amortized straight line over the life of the loan. The Company amortized \$ 2,123 and \$ 2,100 of issuance cost during the three months ended March 31, 2024 and 2023, respectively.

The second loan with FSB that was entered into on October 31, 2022, was in the amount of \$ 400,000 . The loan has a fixed interest rate of 5.97 % and a maturity date of October 31, 2042 . The fixed rate loan has monthly payments of \$ 2,859 . The commercial loan had issuance costs of \$ 3,277 for the year ended December 31, 2022, that was capitalized and is being amortized straight line over the life of the loan. The Company amortized \$ 41 and \$ 40 of issuance cost during the three months ended March 31, 2024 and 2023, respectively.

The third loan with FSB that was entered into on October 31, 2022, was in the amount of \$ 700,000 . The loan has a fixed interest rate of 6.75 %

and a maturity date of April 1, 2023. The fixed rate loan has monthly payments of \$ 6,903 except for a final monthly payment of \$ 423,278. The commercial loan did not have any issuance costs that were capitalized.

On December 16, 2022, the company entered into two separate commercial loans with FSB as part of the Old 41 Practice acquisition. The first loan with FSB that was entered into on December 16, 2022, was in the amount of \$ 568,000. The loan has a fixed interest rate of 6.50% and a maturity date of December 16, 2025. The fixed rate loan has monthly payments of \$ 4,772, except for a final payment of 593,039. The loan had issuance costs of \$ 4,531 for the year ended December 31, 2022, that was capitalized and is being amortized straight line over the life of the loan. The Company amortized \$ 376 and \$ 372 of issuance cost during the three months ended March 31, 2024 and 2023, respectively.

The second loan with FSB that was entered into December 16, 2022, was in the amount of \$ 640,000. The loan has a fixed interest rate of 6.50% and a maturity date of December 16, 2025. The fixed rate loan has twelve monthly payments of approximately \$ 2,830, followed by monthly payments of \$ 7,443. and the interest rate is 6.50%. The loan had issuance costs of \$ 5,077 for the year ended December 31, 2022, that was capitalized and is being amortized straight line over the life of the loan. The Company amortized \$ 422 and \$ 417 of issuance cost during the three months ended March 31, 2024 and 2023, respectively.

The FSB commercial loans are guaranteed by Kimball Carr, Chief Executive Officer and President and Charles Stith Keiser, our Vice Chairman and Chief Operating Officer.

Notes payable to FSB as of March 31, 2024 and December 31, 2023 consisted of the following:

| Original Principal | Acquisition | Entered | Maturity | Interest | March 31, 2024 | December 31, 2023 | Issuance Cost |
|--------------------|--------------|-----------|-----------|----------|----------------|-------------------|---------------|
| \$ 1,105,000 | KVC | 1/25/21 | 2/25/41 | 4.35% | \$ 987,082 | \$ 997,010 | \$ 13,264 |
| 1,278,400 | KVC | 1/25/21 | 1/25/31 | 4.35% | 931,696 | 960,849 | 10,085 |
| 469,914 | KVC | 1/25/21 | 2/25/23 | 5.05% | - | - | 753 |
| 2,086,921 | Pony Express | 10/31/22 | 10/31/25 | 5.97% | 1,861,227 | 1,902,452 | 25,575 |
| 400,000 | Pony Express | 10/31/22 | 10/31/42 | 5.97% | 384,624 | 387,433 | 3,277 |
| 568,000 | Old 41 | 12/16/22 | 12/16/25 | 6.5% | 508,385 | 520,697 | 4,531 |
| 640,000 | Old 41 | 12/16/22 | 12/16/25 | 6.5% | 619,660 | 623,861 | 5,077 |
| 375,000 | Valley Vet | 11/8/2023 | 11/8/2024 | 8.5% | 375,000 | 375,000 | 6,877 |
| \$ 7,623,235 | | | | | \$ 5,667,674 | \$ 5,767,302 | \$ 69,439 |

Notes payable as of March 31, 2024 and December 31, 2023 consisted of the following:

| | March 31, 2024 | December 31, 2023 |
|-------------------------------------|----------------|-------------------|
| FNBD Notes Payable | \$ 9,141,096 | \$ 9,309,286 |
| FSNB Notes Payable | 5,667,674 | 5,767,302 |
| Total notes payable | 14,808,770 | 15,076,588 |
| Unamortized debt issuance costs | (116,540) | (124,170) |
| Notes payable, net of issuance cost | 14,692,230 | 14,952,418 |
| Less current portion | (1,203,402) | (1,469,043) |
| Long-term portion | \$ 13,488,828 | \$ 13,483,375 |

Notes payable repayment requirements as of March 31, 2024, in the succeeding years are summarized as follows:

| | | |
|-------------------|--|--------------|
| Remainder of 2024 | | \$ 1,203,402 |
| 2025 | | 3,776,189 |
| 2026 | | 1,008,110 |
| 2027 | | 1,052,832 |
| 2028 | | 1,098,387 |
| Thereafter | | \$ 6,669,850 |

Bridge Note

In December 2021, the Company entered into two bridge loans in the aggregate amount of \$ 2,500,000 with Target Capital 1, LLC and Dragon Dynamic Catalytic Bridge SAC Fund as short term secured convertible notes ("Bridge Note"). The Bridge Note is convertible into the Company's common stock, at the time of a successful initial public offering ("IPO") at the noteholder's option, at a 35% discount to the IPO price. The Bridge Note has a face value of \$ 2,500,000 with an original issue discount ("OID") of 12% and has a maturity date of January 24, 2023. The OID of \$ 300,000 is being amortized over the life of the loan. If the Company has not issued the Company's common stock in an initial public offering pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission ("SEC") and the listing of the common stock on a "national securities exchange" as defined in Section 6 of the Securities Exchange Act of 1934, as amended ("Qualified financing") by January 24, 2023 the conversion price will be set at a 40% discount to the IPO price. The Bridge Note was funded in two installments of net proceeds of \$ 1,100,000 in December 2021 and the second installment January 2022. The bridge loans had issuance costs of \$ 70,500 for the first installment and \$ 54,000 for the second installment that is amortized straight line over the life of the loan. The Company amortized \$ 0 and \$ 62,758 of issuance cost during the three months ended March 31, 2024 and 2023.

In conjunction with the Bridge Note the Company issued warrants on January 24, 2022 to Target Capital 1, LLC and Dragon Dynamic Catalytic Bridge SAC Fund (collectively the "Bridge Lenders"). The warrants entitled the Bridge Lenders to purchase the Company's Class A common stock, at a purchase price equal to the per share price in an IPO. The quantity of the Company's common stock of subject to purchase upon exercise of the warrants is equal to 50% of the face value of the Bridge Note, divided by the per-share price in the Qualified Financing, unless a Qualified Financing has not been completed by January 24, 2023 in which case the quantity of Class A common stock subject to purchase upon exercise of the warrants will be an amount equal to 75% of the face value of the Bridge Note divided by the per-share price in the Qualified Financing. If a Qualified Financing has not been consummated or the Bridge Note has not been repaid in full on or before January 24, 2027, then the

quantity of common stock subject to purchase upon exercise of the warrants will be an amount equal to 100 % of the face value divided by the per-share price equal to the fair market value of one share of Class A common stock as mutually agreed by the Holder and the Company. The warrants are exercisable through the fifth anniversary of the issuance date. The warrants may be redeemed at the option of the Company at any time following a Qualified Financing if the Company's common stock trade on a national securities exchange at a price equal to the purchase price of the Company's common stock in the Qualified Financing multiplied by 2 for a period of ten consecutive trading days .

On November 18, 2022, the Company entered into an Original Issue Discount Secured Convertible Note loan with Target Capital 1, LLC for \$ 1,136,364 . The note is issued at an original issue discount of 12 % with an maturity date on the earlier of March 31, 2023 ("Initial Maturity Date") or the Company's sale of its common stock in an initial public offering pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission and the listing of the common stock on a "national securities exchange" as defined in Section 6 of the Securities Exchange Act of 1934, as amended ("Qualified Financing" or the "Maturity Date"). If the Company has filed its Form S-1 Registration Statement with the SEC on or prior to the Initial Maturity Date but the Qualified Financing has not closed by such date ("Automatic Extension") then all principal and accrued interest under this Note shall become due and payable in cash on September 30, 2023 (the "Final Maturity Date") or such earlier date as this note is required be repaid. The note bears an interest rate of 12 % per annum by means of the original issue discount. Upon the occurrence of an Automatic Extension, this note shall commence to accrue interest at an interest rate of 12 % percent per annum on the date of the commencement of the Automatic Extension until the note is converted or is paid in full. The Company may pay the full principal amount of this note, and all accrued but unpaid interest at any time prior to the Maturity Date without the prior written consent of the holder in the principal amount of \$ 1,136,364 , plus all accrued but unpaid interest, multiplied by 120 %. In addition, and to the extent the Company is required to pay this note in cash at the on or after the Initial Maturity Date due to, upon the closing date of a Qualified Financing, the Company shall pay to the holder \$ 1,136,364 , plus all accrued unpaid interest, multiplied by 120 %. Upon the occurrence and during the continuation of an Event of Default (as defined in the note), until the Event of Default is cured, or the note is repaid in full, Company will pay 20 % of its total gross revenues (including that of all its subsidiaries) monthly, which shall be applied to payment of principal and interest under this this note. The conversion price (the "Conversion Price") shall be equal to the price paid by the public in the Company's Qualified Financing multiplied by 0.65 (or 0.60 , from and after any Automatic Extension).

In conjunction with the Original Issue Discount Secured Convertible Note with Target Capital 1, LLC the company issued the holder 412 shares of Class A common stock and equity classified warrants that entitle the holder to purchase the Company's common stock at a purchase price equal to the per share price in an IPO. The quantity of the Company's common stock of subject to purchase upon exercise of the warrants is equal to 50 % of the face value of the Bridge Note, divided by the per-share price in the Qualified Financing, unless a Qualified Financing has not been completed by March 31, 2023 in which case the quantity of Class A common stock subject to purchase upon exercise of the warrants will be an amount equal to 75 % of the face value of the Bridge Note divided by the per-share price in the Qualified Financing.

On November 18, 2022, the Company entered into an Original Issue Discount Secured Convertible Note with 622 Capital LLC for \$ 568,182 . The note is issued at an original issue discount of 12 % with an maturity date on the earlier of January 24, 2023 (the "622 Initial Maturity Date") or the Company's sale of its common stock in an initial public offering pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission and the listing of the common stock on a "national securities exchange" as defined in Section 6 of the Securities Exchange Act of 1934, as amended ("Qualified Financing" or the "622 Maturity Date"). If the Company has filed its Form S-1 Registration Statement with the SEC on or prior to the 622 Initial Maturity Date but the Qualified Financing has not closed by such date ("Automatic Extension") then all principal and accrued interest under this note shall become due and payable in cash on July 24, 2023 (the "622 Final Maturity Date") or such earlier date as this note is required be repaid. The note bears an interest rate of 12 % per annum by means of the original issue discount. Upon the occurrence of an Automatic Extension, this note shall commence to accrue interest at an interest rate of 12 % percent per annum on the date of the commencement of the Automatic Extension until the note is converted or is paid in full. The Company may pay the full principal amount of this note and all accrued but unpaid interest at any time prior to the 622 Maturity Date without the prior written consent of the holder in the principal amount of \$ 568,182 , plus all accrued but unpaid interest, multiplied by 120 %. In addition, and to the extent the Company is required to pay this note in cash at the on or after the 622 Initial Maturity Date due to, upon the closing date of Qualified Financing, the Company shall pay to the holder \$ 568,182 , plus all accrued unpaid interest, multiplied by 120 %. Upon the occurrence and during the continuation of an Event of Default (as defined in the note), until the Event of Default is cured or the note is repaid in full, Company will pay 20 % of its total gross revenues (including that of all its subsidiaries) monthly, which shall be applied to payment of principal and interest under this this note. The conversion price (the "Conversion Price") shall be equal to the price paid by the public in the Company's Qualified Financing multiplied by 0.65 (or 0.60 , from and after any Automatic Extension).

In conjunction with the Original Issue Discount Secured Convertible Note with 662 Capital LLC the company issued the holder equity classified warrants that entitle the holder to purchase the Company's common stock at a purchase price equal to the per share price in an IPO. The quantity of the Company's common stock of subject to purchase upon exercise of the warrants is equal to 50 % of the face value of the Bridge Note, divided by the per-share price in the Qualified Financing, unless a Qualified Financing has not been completed by March 31, 2023 in which case the quantity of Class A common stock subject to purchase upon exercise of the warrants will be an amount equal to 75 % of the face value of the Bridge Note divided by the per-share price in the Qualified Financing.

The warrants were deemed legally detachable from the Bridge Note and were fair valued using the Black Scholes Method to determine the relative fair values of the Bridge Note and the detachable warrants. The significant inputs for the Black Scholes calculation included the exercise price and common share price of \$ 0.44 , volatility rate of 27 % and risk-free rate of 1.53 % with a 5 year term. The proceeds received for the Bridge Note were allocated to the detached warrants based on the relative fair values. Pursuant to ASC 470 the relative fair value of the warrants attributable to a discount on debt is \$ 429,284 ; this is amortized to interest expense on a straight-line basis over the term of the loan.

A roll forward of the bridge note for the three months ended March 31, 2023 is below:

| | |
|---|--------------|
| Bridge notes, December 31, 2022 | 3,899,156 |
| Amortization of original issue discount | 116,656 |
| Amortization of warrant discount | 125,975 |
| Amortization of debt issuance costs | 62,758 |
| Bridge notes, March 31, 2023 | \$ 4,204,545 |

On June 30, 2023, the Company entered into exchange agreements (the "Exchange Agreements") with each of the Company's Bridge Note lenders, pursuant to which the lenders exchanged their existing Bridge Notes for 29,896 shares, 352,771 shares, and 59,792 shares, respectively, of Convertible Series A preferred stock (442,458 shares of Convertible Series A Preferred stock in total) (the "Exchange"). The Exchange Agreements would have been rescinded, and the former Bridge Notes reinstated if the Company didn't complete the initial public offering by September 1, 2023. Upon the IPO completing on August 31, 2023, the Company recognized the extinguishment of the Bridge Notes pursuant to ASC 470 and recognized a debt extinguishment loss of \$ 16,105 . The Company recognized a beneficial conversion feature of \$ 2,567,866 for the issuance of the Series A preferred stock on the date of the IPO due to the \$ 4 (Pre-Reverse Split) offering price related to the IPO being known as of that date.

Convertible Debenture

Between March 18 and December 28, 2021, the Company issued \$ 2,102,500 in aggregate principal amount of 6.00 % subordinated convertible promissory note ("Convertible Debenture"). During the year ending December 31, 2022 the Company issued \$ 1,612,000 in aggregated principal amount of the 6.00 % Convertible Debenture. In March 2023 the Company issued an additional \$ 650,000 in aggregate principal amount of 6.00 % Convertible Debenture to five (5) separate holders. The Convertible Debenture is convertible into the Company's Class A common stock upon the Company's offering for sale its shares in a public offering ("IPO"). At the holder's election, the accrued interest and principal may be paid in cash or Class A common stock (such number of shares reflecting a twenty-five percent (25 %) discount of the opening price per share of Class A common stock). The Convertible Debenture mature 5 years from the date of issuance to each holder. Prior to the maturity date, the holder is entitled to convert the Convertible Debenture into Class A common stock upon the Company's IPO. Upon an IPO the accrued and unpaid interest is due and payable in cash on the first business day of the following month of March for any balance not elected to be converted into the Class A common stock. The Convertible Debenture incurred issuance cost of \$ 40,000 that was amortized straight line over the life of the Convertible Debenture. The Company amortized \$ 1,993 and \$ 1,972 for the three months ending March 31, 2024 and 2023, respectively.

Upon the Company's IPO closing on August 31, 2023, the majority of Convertible Debenture holders elected to convert an aggregate of \$ 4,014,500 of principal and \$ 399,818 of accrued interest into 14,953 shares of Class A common stock at a conversion price of \$ 30.00 per share. The Company recorded a beneficial conversion feature as of the date of the conversion of \$ 1,569,395 based on the IPO price of \$ 40 per share minus the principal and accrued interest of the Convertible Debenture balance converted into common stock. Four holders of the Convertible Debenture with an aggregate principal balance of \$ 250,000 elected to be paid back in cash and one investor with a principal balance of \$ 100,000 elected to be paid on February 28, 2024 including accrued interest through the date of payment at 6 %.

Loan Payable

On May 30, 2023, the Company entered into a Merchant Cash Advance Agreement for gross proceeds of \$ 1,050,000 with an unrelated third-party financial institution. Under the terms of the agreement, the Company must pay \$ 57,346 each week for 26 weeks with the first payment being due June 6, 2023 . The financing arrangement has an effective interest rate of 49 %. The financing arrangement includes an original issuance discount ("OID") of \$ 441,000 and issuance costs of \$ 50,000 . The OID and issuance cost associated with the financing arrangement are presented in the balance sheets as a direct deduction from the carrying amount of the financing arrangement and is amortized using the effective interest method.

On August 10, 2023, the Company amended the financing arrangement to borrow an additional \$ 507,460 resulting in the weekly repayments increasing to \$ 76,071 to be paid over 28 weeks. This amendment decreased the effective interest rate to 41 %. The refinancing resulted in a loss on debt modification of \$ 441,618 .

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On November 28, 2023, the Company amended the financing arrangement to borrow an additional \$ 531,071 resulting in the weekly payments to decrease to \$ 56,800 to be paid over 40 weeks. This amendment increased the effective rate to 49 %. The refinancing resulted in a loss on debt modification of \$ 485,436 .

On January 18, 2024, the Company amended the financing arrangement to borrow an additional \$ 549,185 resulting in the weekly payments to increase to \$ 86,214 to be paid over 43 weeks. This amendment increased the effective interest rate to 52 %. The refinancing resulted in a loss on debt modification of \$ 728,278 .

During the three months ended March 31, 2024, the Company amortized \$ 379,313 of OID and issuance cost included in interest expense on the statement of operations. During the three months ended March 31, 2024, the Company made \$ 1,032,540 in payments on the loan payable. The outstanding balance of the loan payable as of December 31, 2023, is \$ 2,809,820 . The financing arrangement is secured by an interest in virtually all assets of the Company with a first security interest in accounts receivable. The financing arrangement is guaranteed by the Company's CEO.

Convertible Note Payable

On March 26, Inspire Veterinary entered into a securities purchase agreement (the "Purchase Agreement") with certain investor. Pursuant to the Purchase Agreement, Inspire Veterinary issued to investors Increasing OID Senior Note ("Convertible Note Payable") for \$ 250,000 . The Convertible Note Payable has a maturity date of the earlier of December 26, 2024 or the consummation of a capital raise (the "Maturity Date").

The Convertible Note Payable contain an original issued discount ("OID") which shall be: (i) fifteen percent (15 %) if the Convertible Note Payable is satisfied and paid in full on or before the forty-fifth (45th) day after the Original Issue Date (as such term is defined in the Notes), (ii) twenty percent (20 %) if the Convertible Note Payable is satisfied and paid in full after such 45th day but on or before the ninetieth (90th) day after the Original Issue Date, and (iii) thirty percent (30 %) after such 90th day. The Convertible Note Payable can be prepaid at any time prior to the Maturity Date without any penalties.

The Convertible Note Payable must be repaid in full from any future capital raises (debt, equity or any other form of capital raise) of Inspire Veterinary. All of the funds raised must be used to repay the Convertible Note Payable until the Convertible Note Payable are repaid in full

The Convertible Note Payable are convertible into shares of common stock of Inspire Veterinary, in full or in part, at any time after issuance at the discretion of the noteholder at a fixed conversion price of \$ 0.03 per share (the "Fixed Conversion Price").

If the Convertible Note Payable is not repaid by the Maturity Date the default provisions are as follow: (i) The Face Value (as such term is defined in the Convertible Note Payable) of the Convertible Note Payable will increase by 20 % (to a 50 % OID -- \$ 1,000,000 Face Value); (ii) the conversion price of the Convertible Note Payable will become convertible at the lower of (a) the Fixed Conversion Price or (b) 20 % discount to a 3-Day volume-weighted average price (the "Default Conversion Price").

8. Related Party Transactions

Blue Heron

The Company entered into a consulting agreement with Blue Heron Consulting ("BHC") on June 24, 2021, pursuant to which BHC will consult with the Company on an on-going basis in connection with the Company's acquisition of veterinary practices throughout the United States and will serve as the Company's business and financial advisor with respect to its acquisition strategy and in connection with specific acquisition targets. The Company's director and Chief Operating Officer Charles Stith Keiser is the Chief Operating Officer of BHC, and the Company's director Dr. Charles "Chuck" Keiser is the Chief Visionary Officer of BHC. During the fourth quarter of 2023 management terminated the service

agreement with Blue Heron, however, still uses Blue Heron on an ad-hoc basis for services and has incurred \$ 68,027 and \$ 229,614 in expenses for the three months ended March 31, 2024 and 2023, respectively. These expenses are recorded as a component of "General and administrative expenses" in the accompanying condensed consolidated statement of operations.

Under the Consulting Agreement, BHC is entitled to a monthly fee for on-going services including:

- the preparation of valuation packages of potential acquisitions (including the gathering of pertinent information, financial and background data, completion of deal packets and financial projection worksheets used by the Company to calculate practice values);
- the institution of turnover protocols and procedures of hospitals immediately post-purchase; systems reporting; the formulation of individual hospital goals and targets;
- on-going monthly support of hospital units (including medical and operational coaching, business growth projections, establishment of financial targets and margin improvements, growth milestones) and recruiting support.

Upon termination, all accrued, but not yet paid fees and expenses, whether invoiced or not, must be paid to BHC.

Star Circle Advisory

The Company entered into a consulting agreement with Star Circle Advisory Group, LLC ("Star Circle") on August 2, 2022 to serve as financial consultant, on a non-exclusive basis, to assist with arranging bridge financing and the initial public offering of the Company. Star Circle is owned and controlled by Kimball Carr, Chairman, Chief Executive Officer and President, Peter Lau, Interim Chief Financial Officer and Director, James Coleman, Director, and Richard Marten, Director. Star Circle is entitled to a monthly fee of \$ 33,000 , payable monthly. Each party is responsible for its own ordinary office and personnel expenses; however, Star Circle is entitled, with prior written consent from the Company, for reimbursement for required extraordinary expenses including air travel, lodging, and Company filing fees. The consulting agreement will terminate on August 1, 2024, unless terminated earlier by mutual agreement of the parties or by either party upon 30 days written notice. During the fourth quarter of 2023, management terminated service agreements with Star Circle Advisory and has incurred \$ 0 and \$ 99,000 in expenses for the three months ended March 31, 2024 and 2023, respectively. These expenses are recorded as a component of "General and administrative expenses" in the accompanying condensed consolidated statement of operations.

CEO Warrant

On January 1, 2023, the board of directors issued 500 shares of Class A common stock issuable upon cashless exercise of a warrant granted to Kimball Carr, Chief Executive Officer ("CEO") and Chairman of the board of directors, in consideration for his personal guaranty of the Company loans. The warrant expires on January 1, 2028 . The Warrant is fully paid and nonassessable shares of Class A common stock at a purchase price per share equal to the price per share of the common stock sold through an initial public offering pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission on a national securities exchange. The warrants were measured at fair value using the Black Scholes Method to determine the fair value of warrants issued to the CEO. The significant inputs for the Black Scholes calculation included the exercise price and common share price of \$ 1.73 , volatility rate of 27.13 % and risk-free rate of 3.94 % with a 5 -year term. The warrants were valued at \$ 2,701 at the time of issuance and the entire amount was recorded as an expense in General and administrative expenses in the accompanying unaudited condensed consolidated statement of operations for the three months ended March 31, 2023.

9. Stockholders' Equity

The Company is authorized to issue 71,000,000 shares, of which 1,000,000 shares are designated as Class A common stock, with a par value of \$ 0.0001 per share, 20,000,000 shares are designated as Class B common stock, with a par value of \$ 0.0001 per share, and 50,000,000 shares are designated as preferred stock, with a par value of \$ 0.0001 per share (the "Preferred Stock").

Each outstanding share of Class A common stock is entitled to vote on each matter on which the stockholders of the Company is entitled to vote, and each holder of Class A common stock is entitled to one (1) vote for each share of Class A common stock held by such holder.

Each outstanding share of Class B common stock is entitled to vote on each matter on which the stockholders of the Company is entitled to vote, and each holder of Class B common stock is entitled to twenty-five (25) votes for each share of Class B common stock held by such holder. Each Class B common stock is convertible to 1/100th of 1 share of Class A common stock.

All shares of Class A common stock and Class B common stock (collectively "common stock") will be identical and will entitle the holders thereof to the same rights and privileges, except as otherwise provided above.

On November 15, 2022, the companies amended the consulting agreement with Alchemy Advisory, LLC until June 30, 2023. The contract amendment stipulates an additional fee of \$ 40,000 as well as 83 restricted shares of the Company's Class A common stock. The Company recorded the \$ 72,084 fair value of the common stock with \$ 0 and \$ 36,042 expensed during the three months ended March 31, 2024 and 2023, respectively. The Company will amortize the cost of the common stock issued over the life of the agreement.

On November 15, 2022, the Company entered into a consulting agreement with 662 Capital LLC until June 30, 2023. The contract stipulates the Company will issue 417 restricted shares of the Company's Class A common stock for services rendered. The Company recorded the \$ 144,168 fair value of the common stock with \$ 0 and \$ 72,804 expensed during the three months ended March 31, 2024 and 2023, respectively. The Company will amortize the cost of the common stock issued over the life of the agreement.

Convertible Series A Preferred Stock

On June 30, 2023, the Company amended its articles of incorporation by the filing of a certificate of designation for the Series A Preferred Stock. One million shares of the Series A Preferred Stock are authorized under the Series A Certificate of Designation, with each having a stated value of \$ 1,000.00 per share, with a par value of \$ 0.0001 . The Series A Preferred Stock earns a dividend rate equal to 12 % of the stated rate per annum, which such dividend may be payable either in cash or in-kind at the sole option of the Company.

Holders of shares of the Series A Preferred Stock are entitled to a liquidation preference in the event of any dissolution, liquidation or winding up of the Company equal to the stated value plus any accrued and unpaid dividends on such stock. Holders of shares of Series A Preferred Stock are also entitled to convert such shares at any time and from time, at the option of such holder, into a number of shares of Class A common stock equal to the stated value divided by a conversion price. The conversion price is equal to 60 % of the dollar volume-weighted average price for shares for the Company's Class A common stock for the three trading days immediately preceding the date of the conversion. However, the conversion price can never be less than 50 % of the per-share price for shares of Class A common stock during the Company's initial public offering. For any conversion during the Company's initial three days of market trading, the conversion price will be equal to 60 % of the price for the Company's underwritten initial public offering.

On November 7, 2023, the Company amended its article of incorporation to increase the total authorized preferred stock by 2,000,000 shares.

The conversion price of the convertible series A preferred stock to be no less than \$ 1.00 per share, as adjusted for any stock dividend, stock split, stock combination, reclassification or similar transaction conducted after the date of the series A preferred stock amendment.

The holders of the Series A Preferred Stock have the right to vote on all matters submitted to a vote of shareholders on an as-if-converted basis together with the holders of shares of the Company's Class A and Class B common stock, voting together as a single class.

On June 30, 2023, the Company issued 442,458 shares of Series A Preferred Stock to the holders of the Bridge Notes in exchange for the Bridge Notes (the "Exchange").

In connection with the Exchange, the Company also issued warrants (the "New Warrants") to purchase additional shares of Class A common stock. The New Warrants were issued in exchange for the existing warrants held by the former Bridge Note holders. The exercise price of the shares to be issued pursuant to the New Warrants is the price of the shares of Class A common stock to be issued in this offering. The number of shares to be issued upon exercise of the New Warrants is equal to the quotient of 75 % of the outstanding Series A Preferred Stock value divided by the exercise price. Also, in connection with the Exchange, the Company entered into new registration rights agreements (the "New Registration Rights Agreements") with each of holders, pursuant to which the Company has agreed to register the public resale of the shares of Class A common stock issuable upon conversion of the Series A Preferred Stock and upon exercise of the under the New Warrants. The New Registration Rights Agreements supersede in their entirety the prior registration rights agreements with the former senior secured lenders. If Company did not close the initial public offering on or before September 1, 2023, the Exchange Agreements would have been deemed rescinded, and the former Bridge Notes would have been deemed reinstated. As the offering was outside the control of the Company the Company did not recognize the full extinguishment of the Bridge Notes until the IPO was completed on August 31, 2023. The Company recognized a beneficial conversion feature of \$ 2,567,866 for the issuance of the Series A Preferred Stock on the date of the IPO due to the \$ 4 (pre-Reverse Split) offering price related to the IPO being known as of that date.

10. Retirement Plan

During the year ending December 31, 2022, the Company implemented a qualified 401(K) retirement plan. The Company offers eligible domestic full-time employees participation in certain 401K plans. The plans provide for a discretionary annual company contribution. In addition, employees may contribute a portion of their salary to the plans, which certain of the 401K plans, is partially matched by the Company. The plans may be amended or terminated at any time. The Company contributed and expensed approximately \$ 40,264 and \$ 4,995 during the three months ending March 31, 2024 and 2023, respectively.

11. Income Taxes

The Company has incurred losses since inception, which have generated net operating loss ("NOL") carryforwards. As of March 31, 2024 and December 31, 2023, no tax benefit was reported with respect to these NOL carry-forwards in the accompanying financial statements because the Company believes the realization of the Company's net deferred tax assets for the NOL for combined federal and state jurisdictions was considered more likely than not that it will not be realized and accordingly, the potential tax benefits of the net loss carry-forwards are fully offset by a full valuation allowance. The Company's effective tax rate is different than the federal statutory tax rate because the Company has established a full valuation allowance against its net deferred income tax asset.

12. Leases

Accounting for Leases as Lessee

The Company determines if an arrangement is a lease at inception. Operating leases are included in right-of-use assets ("ROU"), operating lease liabilities, and operating lease liabilities, non-current. Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. None of the leases entered into have an implicit rate, the Company uses its incremental borrowing rate based on the information available at lease commencement date in determining the present value of future payments. Incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. The ROU assets also include any prepaid lease payments made and initial direct costs incurred and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease, which is recognized when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet.

The Company has operating leases for real estate. The Company has certain intercompany leases between its subsidiaries, and these transactions and balances have been eliminated in consolidation and are not reflected in the tables and information presented below.

The components of lease expense included on the Company's unaudited condensed statements of operations were as follows:

| Operating lease expense: | Expense Classification | For the Three Months Ended March 31, | |
|--|----------------------------|--------------------------------------|--------|
| | | 2024 | 2023 |
| Amortization of ROU asset | General and administrative | \$ 53,831 | 28,875 |
| Accretion of operating lease liability | General and administrative | 10,541 | 7,385 |
| Total operating lease expense | | \$ 64,372 | 36,260 |
| Other lease expense | General and administrative | (2,026) | 11,708 |
| Total | | \$ 62,346 | 47,968 |

Other information related to leases is as follows:

| | As of March 31, 2024 | As of December 31, 2023 |
|--|----------------------------|-------------------------------|
| Weighted-average remaining lease term: | | |
| Operating leases (in years) | 9.35 | 9.29 |
| Weighted-average Discount rate: | | |
| Operating leases | 7.04% | 7.083% |

Amounts relating to leases were presented on the unaudited condensed Balance Sheets as of March 31, 2024 and December 31, 2023 in the following line items:

| | Balance Sheet Classification | As of March 31, 2024 | As of December 31, 2023 |
|-----------------------------|--|----------------------------|-------------------------------|
| Assets: | | | |
| Operating lease assets | Right-of-use assets | \$ 1,562,367 | \$ 1,616,198 |
| Liabilities: | | | |
| Operating lease liabilities | Operating lease liabilities | \$ 133,113 | 141,691 |
| Operating lease liabilities | Operating lease liabilities, non-current | 1,482,514 | 1,514,044 |
| Total lease liabilities | | <u>\$ 1,615,627</u> | <u>\$ 1,655,735</u> |

The future minimum lease payments required under leases as of March 31, 2024, were as follows:

| Fiscal Year | Operating Leases |
|-------------------------|---------------------|
| Remainder of 2024 | \$ 181,811 |
| 2025 | 230,198 |
| 2026 | 231,959 |
| 2027 | 233,619 |
| 2028 | 238,078 |
| Thereafter | <u>1,100,287</u> |
| Undiscounted cash flows | 2,215,952 |
| Less: imputed interest | (600,325) |
| Lease liability | <u>\$ 1,615,627</u> |

13. Commitments and Contingencies

As of March 31, 2024, substantially all of the Company's assets were pledged as collateral for the Company's credit facilities.

On November 30, 2023, the Company entered into a common stock purchase agreement with a 3rd party investor (the "Investor"), to which the investor committed to purchase up to \$ 30 million of the Company's Class A common stock.

Under the terms and subject to the conditions of the Purchase Agreement, the Company has the right, but not the obligation, to sell to the Investor, and the Investor is obligated to purchase, shares of Class A common stock in an amount up to \$ 30 million. Such sales of Class A common stock by the Company, if any, will be subject to certain limitations, and may occur from time-to-time in the Company's sole discretion, over the period commencing once certain customary conditions are satisfied, including the filing and effectiveness of a resale registration statement with the U.S. Securities and Exchange Commission (the "Commission") with respect to the shares to be sold to the Investor under the Purchase Agreement and ending on the first day of the month following the 24-month anniversary of the date on which the resale registration statement is declared effective by the Commission. The Investor has no right to require the Company to sell any shares of Class A common stock to the Investor, but the Investor is obligated to purchase shares of Class A common stock pursuant to a valid purchase notice delivered by the Company, subject to certain conditions and limitations.

Purchase Price

The shares of Class A common stock to be issued by the Company and purchased by the Investor will be sold at a purchase price equal to 95 % of the lowest daily volume-weighted average price of the Class A common stock on the Nasdaq Capital Market (or any eligible substitute exchange) during the three consecutive trading days immediately following the trading date on which a valid purchase notice is delivered to the Investor by the Company. Such purchase price will be adjusted for reorganization, recapitalization, non-cash dividend, stock split, reverse stock split or other similar transaction by the Company with respect to its Class A common stock.

Actual sales of shares of Class A common stock to the Investor will depend on a variety of factors to be determined by the Company from time-to-time, including, among other things, market conditions, the trading price of the Company's Class A common stock, and the working capital needs, if any, of the Company.

The net proceeds from sales, if any, under the Purchase Agreement to the Company will depend on the frequency and prices at which the Company sells shares of Class A common stock to the Investor. The Company expects that any proceeds received by the Company from such sales to the Investor will be used for working capital and general corporate purposes.

Purchase Limits

Pursuant to the Purchase Agreement, the Company may not require the Investor to purchase, and the Investor will have no obligation to purchase, shares of Class A common stock in excess of a number equal to the lowest of (i) 100% of the average daily trading volume of the Class A common stock on the Nasdaq Capital Market (or any other eligible national stock exchange, as applicable) for the five consecutive trading days immediately prior to the trading date on which a valid purchase notice is delivered to the Investor, (ii) a 30% discount to the daily trading volume in the Class A common stock on the Nasdaq Capital Market (or any other eligible national stock exchange, as applicable), and (iii) \$2 million divided by the volume-weighted average price for the Class A common stock on the trading day immediately prior to the trading date on which a valid purchase notice is delivered to the Investor.

Consistent with certain applicable Nasdaq rules, the Company may not issue to the Investor more than 12,143 shares of its Class A common stock (the "Exchange Cap") under the Purchase Agreement, which number of shares is equal to 19.99 % of the shares of the Company's Class A common stock issued and outstanding immediately prior to the execution of the Purchase Agreement, unless the Company obtains stockholder approval to issue shares of its Class A common stock in excess of such limit in accordance with applicable rules of Nasdaq or any other applicable national stock exchange.

Fees

As consideration for the Investor's irrevocable commitment to purchase shares of Class A Common Stock, upon execution of the Purchase Agreement, the Company became obligated to issue to the Investor a number of shares of Class A Common Stock equal to \$ 600,000 divided by the average daily volume-weighted average price for the Class A Common Stock on the Nasdaq Capital Market during the five consecutive trading days ending on the trading date immediately prior to the Company's filing of an initial registration statement pursuant to the Registration Rights Agreement described below. In certain circumstances, the Company may become obligated to pay to the Investor a cash fee equal to \$ 600,000 in lieu of issuing such shares of Class A Common Stock, under the terms and subject to the conditions described more fully in the Purchase Agreement.

Certain Representations, Warranties and Covenants

The Purchase Agreement contains customary representations, warranties, conditions, and indemnification obligations of each of the Company and the Investor. Pursuant to the Purchase Agreement, the Investor has agreed not to enter into or effect, in any manner whatsoever, directly or indirectly, any short sales of the Company's Class A Common Stock or hedging transaction which establishes a net short position with respect to the Class A Common Stock. In addition, the Company has covenanted, among other things, through the 24-month anniversary of the signing of the Purchase Agreement, to not effect or enter into any agreement to issue any shares of Class A Common Stock or securities convertible into or exercisable or exchangeable into shares of Class A Common Stock except in limited circumstances.

The Company has the right to terminate the Purchase Agreement at any time following the satisfaction of certain conditions precedent relating to the initial sale of shares to the Investor, subject to the Company paying all documented fees and amounts to the Investor's legal counsel and, if the agreement is terminated prior to effectiveness of the resale registration statement, the Company paying the \$ 600,000 cash commitment fee to the Investor or, if the agreement is terminated after such effectiveness, the Company issuing all commitment shares of Class A Common Stock to the Investor.

The Purchase Agreement will automatically terminate on (i) the 24-month anniversary of the effective date of the initial resale registration statement filed with the Commission, (ii) the date when the Investor purchases the Total Commitment, (iii) the date when the shares of Class A Common Stock are no longer listed on the Nasdaq Capital Market or another eligible national stock exchange, or (iv) when the Company is subject to a voluntary or involuntary bankruptcy or insolvency proceeding.

In addition, the Investor may terminate the Purchase Agreement upon (i) the occurrence of an event constituting a material adverse effect (as defined in the Purchase Agreement), (ii) the occurrence of a change of control transaction of the Company, (iii) the failure by the Company to file a registration statement by the applicable deadline set forth in the Registration Rights Agreement, (iv) the lapse of the effectiveness, or unavailability of, a registration statement filed by the Company pursuant to the Registration Rights Agreement in certain other circumstances set forth in the Purchase Agreement, (v) the suspension of trading of the Class A Common Stock for a period of three (3) consecutive trading days, or (vi) the material breach of the Purchase Agreement by the Company, which breach is not cured within the 10 trading days after receipt of notice of such breach.

On December 28, 2023, the Company amended the agreement to provide that, if the number of commitment shares required to be issued by the Company to the Investor and its affiliates (as calculated pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended, and Rule 13d-3 promulgated thereunder) pursuant to the Purchase Agreement would result in the beneficial ownership by the Investor of more than 4.99 % of the outstanding shares of Class A common stock of the Company, then the Company shall be obligated to deliver to the Investor: (i) the number of shares of Class A common stock that, after giving effect to the issuance thereof to the Investor, would result in the Investor and its affiliates beneficially owning one (1) share less than 4.99 % of the outstanding shares of Class A common stock of the Company, and (ii) a warrant to purchase shares of Class A common stock (such warrant, the "Warrant" and the shares issuable upon exercise thereof, the "Warrant Shares"), granting the Investor the right to purchase, at an exercise price of \$ 0.01 per Warrant Share, up to that number of Warrant Shares equal to the difference between (x) the number of shares that would be required to be issued to the Investor as commitment shares but-for the 4.99 % ownership limitation, and (y) the number of shares of Class A common stock to be issued to the Investor as commitment shares.

The amendment further provide that, if the issuance of the total number of commitment shares of Class A common stock and Warrant Shares by the Company to the Investor would cause the beneficial ownership of the Investor and its affiliates to exceed 19.99 % of the outstanding shares of Class A common stock of the Company, and the Company has not obtained stockholder approval for the issuance of such shares of Class A common stock in an amount in excess of the 19.99 % ownership threshold in accordance with the applicable rules of The Nasdaq Capital Market on or before May 24, 2024, then the Company shall be obligated to pay to the Investor an amount in cash equal to \$ 600,000 minus the value of the shares of Class A common stock issuable to the Investor as commitment shares and the value of the Warrant Shares issuable upon exercise of the Warrant.

On February 14, 2024, the Company issued 12,143 shares of Class A Common stock, per share to an Investor. In addition, the Company, on February 13, 2024, issued a prefunded warrant to purchase up to 16,549 shares of Class A common stock of the Company to the Investor. The Company issued the shares and the warrant in fulfilment to its obligation to issue "commitment shares" to the Investor upon its entry into the purchase agreement. The Company issued the shares and warrant to the Investor exempt from registration pursuant to Rule 506(b) of Regulation

D under the Securities Act of 1933. The Company did not receive any proceeds with respect to the issuance of the Commitment Shares or the Warrant and does not expect to receive any material proceeds from the Investor's exercise, if any, of Warrant for the purchase of Warrant shares.

Holdback Agreement

As part of the Valley Veterinary Services, Inc. acquisition in November 2023, a portion of the purchase price in the amount of \$ 200,000 is classified as restricted cash in the accompanying unaudited condensed consolidated balance sheet. The Holdback Agreement dictates that \$ 80,000 is contingent upon both former owners (now employees of the Company) still being employed by the Company as of November 8, 2025 and the Valley Vet Practice's gross revenue exceeding 105 % of the target gross revenue. The remaining \$ 120,000 is contingent upon both former owners (now employees of the Company) still being employed by the Company as of November 8, 2025 and the Valley Vet Practice's gross revenue exceeding 110 % of the target gross revenue.

As the contingent consideration arrangement in which the Holdback amounts are automatically forfeited if the employment of the former owners (now employees of the Company) terminates is accounted for as compensation for post combination services. The Company will recognize the contingent consideration from the Holdback Agreement when probable.

14.

Subsequent Events

The Company follows the guidance in FASB ASC 855-10 for the disclosure of subsequent events. The Company evaluated subsequent events through the date the financial statements were issued and determined the Company had the following subsequent events:

Refinancing Loan Payable

On May 7, 2024, the Company amended the financing arrangement to borrow an additional \$ 518,750 resulting in the weekly payments to increase to \$ 90,229 to be paid over 48 weeks. This amendment decreased the effective interest rate to 49 %.

New Loan Payable

On April 4, 2024, the Company entered into a new financing arrangement to borrow \$ 400,000 with weekly payments of \$ 21,600 to be paid over 28 weeks. This financing arrangement has an effective interest rate to 51 %.

INSPIRE VETERINARY PARTNERS, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking Information

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the accompanying notes thereto included elsewhere in this quarterly report on Form 10-Q.

This quarterly report on Form 10-Q contains forward-looking statements. Forward-looking statements are based upon our current assumptions, expectations and beliefs concerning future developments and their potential effect on our business. In some cases, you can identify forward-looking statements by the following words: "may," "will," "could," "would," "should," "expect," "intend," "plan," "anticipate," "believe," "approximately," "estimate," "predict," "project," "potential," "continue," "ongoing," or the negative of these terms or other comparable terminology, although the absence of these words does not necessarily mean that a statement is not forward-looking. This information may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by any forward-looking statements.

We cannot predict all of the risks and uncertainties. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements or that our objectives and plans will be achieved and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. These forward-looking statements include information concerning possible or assumed future results of our operations, including statements about potential acquisition or merger targets; business strategies; future cash flows; financing plans; plans and objectives of management; any other statements regarding future acquisitions, future cash needs, future operations, business plans and future financial results, and any other statements that are not historical facts.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

Overview

Inspire Veterinary is a corporation incorporated in the state of Delaware in 2020. On June 29, 2022, the Company converted into a Nevada corporation. The Company's class A common shares are traded on the Nasdaq Capital Market ("NASDAQ") under the symbol IVP. The Company owns and operates veterinary hospitals throughout the United States. The Company specializes in small animal general practice hospitals which serve all manner of companion pets, emphasizing canine and feline breeds. As the Company expands, additional modalities are expected to become a part of the offerings at its hospitals. With the acquisition of The Pony Express Veterinary Hospital, Inc. including equine care and emergency and specialty services and intends to continue to expand such services.

With fourteen clinics located in ten states as of the date of this filing, Inspire Veterinary purchases existing hospitals which have the financial track record, marketplace advantages and future growth potential which make them worthy acquisition targets. Because the Company leverages a leadership and support structure which is distributed throughout the United States, acquisitions are not centralized to one geographic area. The Company operates its business as one operating and one reportable segment.

The Company is the managing member of IVP Practice Holdings Co., LLC ("Holdco"), a Delaware limited liability company, which is the managing member of IVP CO Holding, LLC ("CO Holdco"), a Delaware limited liability company, IVP FL Holding Co., LLC ("FL Holdco"), a Delaware limited liability company, IVP Texas Holding Company, LLC ("TX Holdco"), a Delaware limited liability company, KVC Holding Company, LLC ("KVC Holdco"), a Hawaii limited liability company, and IVP CA Holding Co., LLC ("CA Holdco"), a Delaware limited liability company, IVP MD Holding Company, LLC ("MD Holdco"), a Delaware limited liability company, IVP OH Holding ("OH Holdco"), Co, LLC, a Delaware limited liability company, IVP IN Holding Co., LLC ("IN Holdco"), a Delaware limited liability company, IVP MA Managing Co., LLC, a Delaware limited liability company ("MA Holdco"), and IVP PA Holding Company, LLC, a Delaware limited liability company ("PA Holdco"). The Company through Holdco, operates and controls all business and affairs of CO Holdco, FL Holdco, TX Holdco, KVC Holdco, CA Holdco, MD Holdco. Holdco, OH Holdco, IN Holdco, MA Holdco and PA Holdco is used to acquire hospitals in various states and jurisdictions.

The Company is the managing member of IVP Real Estate Holding Co., LLC ("IVP RE"), a Delaware limited liability company, which is the managing member of IVP CO Properties, LLC ("CO RE"), a Delaware limited liability company, IVP FL Properties, LLC ("FL RE"), a Delaware limited liability company, IVP TX Properties, LLC ("TX RE"), a Delaware limited liability company, KVC Properties, LLC, ("KVC RE"), a Hawaii limited liability company, IVP CA Properties, LLC ("CA RE"), a Delaware limited liability company, IVP MD Properties, LLC ("MD RE"), a Delaware limited liability company, IVP OH Properties, LLC ("OH RE"), a Delaware limited liability company, IVP IN Properties, LLC ("IN RE"), a Delaware limited liability company, and IVP PA Properties, LLC ("PA RE"), a Delaware limited liability company. The Company through IVP RE operates and controls all business and affairs of CO RE, FL RE, TX RE, KVC RE, CA RE, MD RE, OH RE, IN RE and PA RE. IVP RE is used to acquire real property in various states and jurisdictions.

COVID-19

Impacts resulting from the COVID-19 pandemic have resulted in a widespread health crisis that has already adversely affected the economies and financial markets of many countries around the world. The international response to the spread of COVID-19 has led to significant restrictions on travel; temporary business closures; quarantines; global stock market and financial market volatility; a general reduction in consumer activity; operating, supply chain and project development delays and disruptions; and declining trade and market sentiment; all of which have and could further affect the world economy.

The extent to which the novel coronavirus may impact the Company's business, will depend on future developments which are highly uncertain and cannot be predicted with confidence, such as the duration of the outbreak, travel restrictions and social distancing in the United States, business closures or business disruptions and the effectiveness of actions taken by governments around the globe to contain and treat the disease. We are unable to predict with certainty the effects of the COVID-19 pandemic on our customers, suppliers and vendors and its impact on the Company's business.

Our Business Model

Services provided at owned hospitals include preventive care for companion animals consisting of annual health exams which include: parasite control; dental health; nutrition and body condition counseling; neurological examinations; radiology; bloodwork; skin and coat health and many breed specific preventive care services. Surgical offerings include all soft tissue procedures such as spays and neuters, mass removals, splenectomies and can also include gastropexies, orthopedic procedures and other types of surgical offerings based on a doctor's training. In many locations additional means of care and alternative procedures are also offered such as acupuncture, chiropractic and various other health and wellness offerings.

With acquisitions serving as one key driver of growth, the Company has developed metrics and processes for assessing, valuing, acquiring and integrating new hospitals into its network. With a focus in its early years on general practice, small companion animal hospitals, the Company selects hospitals in markets with large addressable pet populations, but not necessarily in city/urban centers. The Company recently entered the equine care, or the care of horses, sector with the addition of the Pony Express Veterinary Hospital into the Company's small-animal-only mix of locations.

Growth strategies and expansion plans call for the Company to enter emergency care and mixed animal (such as bovine and additional equine care) in future years of growth. Staffing, ownership transition plans, demographics, quality of medicine, financial performance and quality of exiting leadership are some of the many factors that are analyzed before a pending acquisition is offered a letter of intent. The Company uses a field support structure that is nationally distributed and therefore the targets for acquisition can be in most states within the United States, taking special care with more complex states which have very specific veterinary practice ownership and operations guidelines.

Risks to the ability to swiftly acquire and integrate new hospitals include: (i) national staffing shortages of veterinarians and technicians which pre-existed the current market conditions which make finding credentialed talent even more difficult; (ii) costs and time associated with finding suitable targets and performing due diligence; and (iii) difficulties in achieving growth targets post purchase which ensure hospitals grow revenue and earnings in the years post purchase.

Post purchase pressures include rising talent acquisition and staffing costs in addition to challenges in achieving productivity and average patient charges necessary to achieve growth and profitability.

Results of Operations

Acquisition and Growth Strategy

With an emphasis on general practice hospitals in its first seven to eight quarters, the Company expanded into purchase of mixed animal hospitals in late 2022, adding equine care to its mix. Further, in the first quarter of 2024 and beyond, the Company intends to continue to the due diligence toward acquisition toward strategically acquiring existing general practice, specialty hospitals and/or expand existing locations to include emergency care and more complex surgeries, holistic care and comprehensive diagnostics which allow it to offer more complex surgeries and internal medicine work ups.

During its third calendar year, the Company has plans to seek multi-unit practices with regional presence to facilitate growth for the Company and also to move more swiftly into being a prime provider in select markets. While purchases of individual clinics will remain a focus for the Company, these opportunities to acquire hospitals in clusters of 2 to 6 will significantly increase our pace of growth and provide numerous internal benefits such as internal case referrals and career pathing for clinicians and leadership.

We account for acquisitions under the acquisition method and are required to measure identifiable assets acquired and liabilities assumed of the acquiree at the fair values on the closing date. The Company makes an initial allocation of the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets and assumed liabilities. Below is a summary of the acquisitions that closed from the inception of the Company through March 31, 2024, and the related transaction price.

| Name | Closing Date | Transaction Value ¹ |
|--|--------------|--------------------------------|
| Kauai Veterinary Clinic ³ | January 2021 | \$ 1,505,000 |
| Chiefland Animal Hospital ² | August 2021 | \$ 564,500 |
| Pets & Friends Animal Hospital ² | October 2021 | \$ 630,000 |
| Advanced Veterinary Care of Pasco ³ | January 2022 | \$ 1,014,000 |

| | | |
|---|---------------|--------------|
| Lytle Veterinary Clinic ² | March 2022 | \$ 1,442,469 |
| Southern Kern Veterinary Clinic ² | March 2022 | \$ 2,000,000 |
| Bartow Animal Clinic ^{3,4} | May 2022 | \$ 1,405,000 |
| Dietz Family Pet Hospital ² | June 2022 | \$ 500,000 |
| Aberdeen Veterinary Clinic ³ | July 2022 | \$ 574,683 |
| All Breed Pet Care Veterinary Clinic ² | August 2022 | \$ 2,152,000 |
| Pony Express Veterinary Hospital, Inc. ² | October 2022 | \$ 3,108,652 |
| Williamsburg Animal Clinic ³ | December 2022 | \$ 850,000 |
| The Old 41 Animal Hospital ² | December 2022 | \$ 1,465,000 |
| Valley Veterinary Services ^{3,5} | November 2023 | \$ 1,790,000 |

1. The transaction value is the amount of cash consideration paid for the acquisition of the veterinary practice (and as denoted the real estate operations) that was accounted for as a single business combination, in accordance with ASC Topic 805.
2. Acquisition includes both the veterinary practice and related assets and the real estate operations in the transaction value.
3. Acquisition was for the veterinary practice and related assets only.
4. Acquisition includes the purchase of personal goodwill of \$105,000 that was included in the purchase price of the veterinary practice and related assets. The total transaction value is made up of \$955,000 for the veterinary practice and related assets and \$350,000 for the real estate operations.
5. The transaction value excludes \$200,000 for the Holdback Agreement associated with the acquisition.

Kauai Veterinary Clinic Acquisition

On January 25, 2021, the Company acquired Kauai Veterinary Clinic, Inc., located in Lihue, Hawaii on the island of Kauai providing regional and local veterinary services for \$1,505,000 dollars through the Company's wholly-owned subsidiary, IVP Practice Holding Company, LLC. Simultaneously to the closing of KVC, the Company acquired the underlying real estate from a third party in exchange for \$1,300,000 through the Company's wholly-owned subsidiary, IVP Real Estate Holding Co., LLC. These acquisitions were financed with three loans provided by First Southern National Bank for a total of \$2,383,400.

Chiefland Animal Hospital Acquisition

On August 20, 2021, the Company acquired the veterinary practice and related assets of Chiefland Animal Hospital from Polycontec, Inc. for \$285,000 through the Company's wholly-owned subsidiary, IVP Practice Holding Company, LLC. Simultaneously, the Company the real estate operations, consisting of land and buildings, utilized by the Chiefland practice for \$279,500 through the Company's wholly-owned subsidiary, IVP Real Estate Holding Co., LLC. These acquisitions were financed with two loans provided by WealthSouth, a division of Farmers National Bank of Danville, Kentucky ("WealthSouth") for a total of \$469,259.

Pets & Friends Animal Hospital Acquisition

On October 7, 2021, the Company acquired the veterinary practice and related assets of the Pets & Friends Animal Hospital from Pets & Friends Animal Hospital, LLC for \$375,000 through the Company's wholly-owned subsidiary, IVP Practice Holding Company, LLC. Simultaneously, the Company the real estate operations, consisting of land and buildings, utilized by the Pets & Friends practice for \$255,000 through the Company's wholly-owned subsidiary, IVP Real Estate Holding Co., LLC. These acquisitions were financed with two loans provided by WealthSouth for a total of \$535,500.

Advanced Veterinary Care of Pasco

On January 14, 2022, the Company acquired the veterinary practice and related assets of Advanced Veterinary Care of Pasco in Hudson, Florida from Advanced Veterinary Care of Pasco, LLC for \$1,014,000 through the Company's wholly-owned subsidiary, IVP FL Holding Company, LLC. This acquisition was financed by a loan provided by WealthSouth for a total of \$817,135.

Lytle Veterinary Clinic

On March 15, 2022, the Company acquired the veterinary practice and related assets of Lytle Veterinary Clinic in Texas from Lytle Veterinary Clinic, Inc. for \$662,469 through the Company's wholly-owned subsidiary IVP Texas Holding Company, LLC and its wholly-owned subsidiary, IVP Texas Managing Co., LLC. Simultaneously, the Company acquired the real estate operations, consisting of land and buildings, utilized by the Lytle practice for \$780,000 from the Lytle practice through the Company's wholly-owned subsidiary, IVP Texas Properties, LLC. This acquisition was financed by two loans provided by WealthSouth for a total of \$1,141,098.

Southern Kern Veterinary Clinic

On March 22, 2022, the Company acquired the veterinary practice and related assets of Southern Kern Veterinary Clinic in California from Southern Kern Veterinary Clinic, Inc. for \$1,500,000 through the Company's wholly-owned subsidiary IVP CA Holding Co., LLC and its wholly-owned subsidiary, IVP Texas Managing Co., LLC. Simultaneously, the real estate operations, consisting of land and buildings,) utilized by the Kern practice was purchased for \$500,000 through the Company's wholly-owned subsidiary, IVP CA Properties, LLC. This acquisition was financed by two loans provided by WealthSouth for a total of \$1,700,000.

Bartow Animal Clinic

On May 18, 2022, the Company acquired the veterinary practice and related assets of Bartow Animal Clinic in Bartow, Florida from Winter Park Veterinary Clinic, Inc. for \$1,055,000 through the Company's wholly-owned subsidiary IVP FL Holding Company LLC. Simultaneously, the real estate operations, consisting of land and buildings, utilized by the Bartow practice was purchased for \$350,000 through the Company's wholly-owned subsidiary, IVP CA Properties, LLC. This acquisition was financed by two loans provided by WealthSouth for a total of \$969,000.

Dietz Family Pet Hospital

On June 15, 2022, the Company acquired the veterinary practice and related assets of Dietz Family Pet Hospital in Richmond, Texas from Dietz Family

Pet Hospital, P.A. for \$500,000 through the Company's wholly-owned subsidiary IVP Texas Holding Company LLC and its wholly-owned subsidiary, IVP Texas Managing Co. LLC. This acquisition was financed by a loan provided by WealthSouth for a total of \$382,500.

Aberdeen Veterinary Clinic

On July 29, 2022, the Company acquired the veterinary practice and related assets of Aberdeen Veterinary Clinic in Aberdeen, Maryland from Fritz Enterprises, Inc. for \$574,683 through the Company's wholly-owned subsidiary IVP MD Holding Company LLC. This acquisition was financed by a loan provided by WealthSouth for a total of \$445,981.

All Breed Pet Care Veterinary Clinic

On August 12, 2022, the Company acquired the veterinary practice and related assets of All Breed Pet Care veterinary clinic in Newburgh, Indiana from Tejal Rege for \$952,000 through the Company's wholly-owned subsidiary IVP IN Holding Company LLC. Simultaneously, the real estate operations, consisting of land and buildings, utilized by the All Breed practice was purchased for \$1,200,000 through the Company's wholly-owned subsidiary, IVP IN Properties, LLC. This acquisition was financed by three loans provided by WealthSouth for a total of \$1,945,450.

Pony Express Veterinary Hospital

On October 31, 2022, the Company acquired the veterinary practice and related assets of the Pony Express Veterinary Hospital, Inc. in Xenia, Ohio from Pony Express Veterinary Hospital, Inc. for \$2,608,652 through the Company's wholly-owned subsidiary IVP OH Holding Company, LLC. Simultaneously, the real estate operations, consisting of land and buildings, utilized by the Pony Express Veterinary Hospital practice was purchased for \$500,000 through the Company's wholly-owned subsidiary, IVP OH Properties, LLC. This acquisition was financed by three loans provided by First Southern National Bank for a total of \$2,853,314.

Williamsburg Animal Clinic

On December 9, 2022, the Company acquired the veterinary practice and related assets of Williamsburg Veterinary Clinic in Williamsburg, MA from Williamsburg Animal Clinic, LLC for \$850,000 through the Company's wholly owned subsidiary, IVP MA Holding Company, LLC. This acquisition was financed by a loan provided by WealthSouth for a total of \$637,500.

The Old 41 Animal Hospital

On December 16, 2022, the Company acquired the veterinary practice and related assets of The Old 41 Veterinary Clinic in Bonita Springs, FL from The Old 41 Animal Hospital, LLC for \$665,000 through the Company's wholly owned subsidiary, IVP FL Holding Company, LLC. Simultaneously, the real estate operations consisting of land and building utilized by the Old 41 practice for \$800,000 from Scott A. Gregory DVM, LLC through the Company's wholly owned subsidiary, IVP FL Properties, LLC. This acquisition was financed by two loans provided by First Southern National Bank for a total of \$1,208,000.

Valley Veterinary Service Acquisition

On November 8, 2023, the Company acquired the animal hospital and related assets of Valley Veterinary Service, Inc in Rostraver Township, Pennsylvania for \$800,000 in cash, a holdback agreement for \$200,000 in cash that may be paid out at the end of the two year period following the acquisition based on continued employment by the two former owners and revenue targets for year 1 and year 2 following the effective date of the acquisition, which is not included in the consideration transferred, and issuance of restricted shares of the Company's Class A common stock equal to \$400,000 through the Company's wholly owned subsidiary IVP PA Holding Company, LLC. Simultaneously, the real estate operations consisting of land and building utilized by Valley Veterinary Services, Inc animal hospital for \$590,000 from the owners of Valley Veterinary Services, Inc through the Company's wholly owned subsidiary, IVP PA Properties, LLC. This acquisition was financed by one loan provided by First Southern National Bank for \$375,000 and one loan provided by Farmers National Bank of Danville for \$850,000.

Comparability of Our Results of Operations

Results of Operations for the three months ended March 31, 2024 compared to the three months ended March 31, 2023:

Summary of Results of Operations

| | Three Months Ended March 31, | |
|--|---------------------------------|------------------|
| | 2024 | 2023 |
| Service revenue | \$ 3,545,599 | \$ 3,072,885 |
| Product revenue | 1,285,968 | 1,209,630 |
| Total revenue | 4,831,567 | 4,282,515 |
| Operating expenses | | |
| Cost of service revenue (exclusive of depreciation and amortization, shown separately below) | 2,709,147 | 2,307,903 |
| Cost of product revenue (exclusive of depreciation and amortization, shown separately below) | 1,016,107 | 879,400 |
| General and administrative expenses | 2,873,343 | 1,801,659 |
| Debt extinguishment loss | 728,278 | - |
| Depreciation and amortization | 367,197 | 298,492 |
| Total operating expenses | 7,694,072 | 5,287,454 |
| Loss from operations | (2,862,505) | (1,004,939) |
| Other income (expense): | | |
| Interest income | 2 | 1 |
| Interest expense | (559,289) | (545,435) |
| Other income | - | 11,424 |
| Total other expense | (559,287) | (534,010) |
| Loss before income taxes | (3,421,792) | (1,538,949) |

| | | | |
|--|--|-----------------------|--------------------|
| Benefit for income taxes | | | |
| Net loss | | (3,421,792) | (1,538,949) |
| Dividend on convertible series A preferred stock | | (214,520) | - |
| Net loss attributable to class A and B common stockholders | | <u>\$ (3,636,312)</u> | <u>(1,538,949)</u> |
| Net loss per Class A and B common shares: | | | |
| Basic and diluted | | <u>\$ (8.97)</u> | <u>(29.20)</u> |
| Weighted average shares outstanding per Class A and B common shares: | | | |
| Basic and diluted | | <u>405,484</u> | <u>52,705</u> |

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Revenue

The following table presents the breakdown of revenue between products and services:

| | For the Three Months Ended | | March 31, 2024 vs. 2023 | |
|-----------------------|----------------------------|---------------------|-------------------------|------------|
| | March 31, 2024 | March 31, 2023 | \$ Change | % Change |
| Revenue: | | | | |
| Service Revenue | \$ 3,545,599 | \$ 3,072,885 | \$ 472,714 | 15% |
| Percentage of revenue | 73% | 72% | | |
| Product Revenue | 1,285,968 | 1,209,630 | 76,338 | 6% |
| Percentage of revenue | 27% | 28% | | |
| Total | \$ 4,831,567 | \$ 4,282,515 | \$ 549,052 | 13% |

| | Average daily service revenue for the three months ended | | March 31, 2024 vs. 2023 | |
|--|--|------------------|-------------------------|----------|
| | March 31, 2024 | March 31, 2023 | \$ Change | % Change |
| Animal Hospital & Clinics | | | | |
| Kauai Veterinary Clinic | \$ 4,320 | \$ 4,673 | \$ (354) | -8% |
| Chiefland Animal Hospital | 1,807 | 1,874 | (67) | -4% |
| Pets & Friends Animal Hospital | 4,108 | 2,537 | 1,570 | 62% |
| Advanced Veterinary Care of Pasco | 2,257 | 2,594 | (337) | -13% |
| Lytle Veterinary Clinic | 2,088 | 2,130 | (42) | -2% |
| Southern Kern Veterinary Clinic | 4,204 | 2,610 | 1,594 | 61% |
| Bartow Animal Clinic | 2,304 | 2,892 | (588) | -20% |
| Dietz Family Pet Hospital | 1,521 | 2,196 | (675) | -31% |
| Aberdeen Veterinary Clinic | 1,648 | 1,696 | (48) | -8% |
| All Breed Pet Care Veterinary Clinic | 2,916 | 2,660 | 256 | 10% |
| Pony Express Veterinary Hospital | 4,079 | 3,625 | 454 | 13% |
| Williamsburg Animal Clinic | 2,629 | 2,350 | 278 | 12% |
| Old 41 Animal Hospital | 1,956 | 2,594 | (638) | -25% |
| Valley Veterinary Services Animal Hospital | 3,127 | - | 3,127 | 100% |
| Total Daily Service Revenue | \$ 38,963 | \$ 34,527 | \$ 4,436 | |

| | Average daily product revenue for the three months ended | | March 31, 2024 vs. 2023 | |
|--|--|------------------|-------------------------|----------|
| | March 31, 2024 | March 31, 2023 | \$ Change | % Change |
| Animal Hospital & Clinics | | | | |
| Kauai Veterinary Clinic | \$ 1,614 | \$ 1,833 | \$ (219) | -12% |
| Chiefland Animal Hospital | 1,127 | 1,234 | (107) | -9% |
| Pets & Friends Animal Hospital | 1,137 | 785 | 352 | 45% |
| Advanced Veterinary Care of Pasco | 652 | 843 | (191) | -23% |
| Lytle Veterinary Clinic | 1,086 | 1,017 | 69 | 7% |
| Southern Kern Veterinary Clinic | 767 | 634 | 133 | 21% |
| Bartow Animal Clinic | 1,164 | 1,235 | (71) | -6% |
| Dietz Family Pet Hospital | 739 | 820 | (81) | -10% |
| Aberdeen Veterinary Clinic | 628 | 547 | 81 | 15% |
| All Breed Pet Care Veterinary Clinic | 820 | 1,580 | (760) | -48% |
| Pony Express Veterinary Hospital | 1,290 | 1,665 | (375) | -23% |
| Williamsburg Animal Clinic | 718 | 685 | 34 | 5% |
| Old 41 Animal Hospital | 606 | 714 | (108) | -15% |
| Valley Veterinary Services Animal Hospital | 1,783 | - | 1,783 | 100% |
| Total Daily Product Revenue | \$ 14,132 | \$ 13,591 | \$ 540 | |

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Revenue in General: The Company believes the breakdown of gross revenue into service revenue and product revenue categories produces meaningful measures to Company management and the Company's investors in light of the Company's objective to protect the service channel and derive the majority of its revenue from services and expertise which are not capable of disruption from other channels. To achieve this objective, the Company seeks

to match the industry target metric of 70% to 80% of gross revenue being derived from services: examination fees, diagnostics fees, laboratory work, surgery and others veterinary services. The Company believes these service revenue sources require veterinary professionals to preside over care delivery and, unlike some veterinary care products, cannot be replaced or sold by other non-veterinary hospital channels such as retail (including over-the-counter and online). Accordingly, the Company views products such as parasite controls, veterinary nutrition products and additives as important, but the Company does not rely on product revenue to account for more than 20% to 30% of gross revenue. Medications and therapeutics which only a licensed veterinary doctor or licensed technician can administer, while still making up part of the 20% to 30% of gross revenue, are less easily diverted to non-veterinary hospital channels as they require licensed professionals to prescribe or utilize them.

The Company uses these percentages in concert with metrics such as Revenue Per Patient Per day ("RPP") and Average Patient Charge ("APC") to analyze the comprehensive nature of diagnostics and services provided by each veterinary hospital. Sometimes referred to "quality medicine" metrics within the veterinary service industry, the Company uses RPP and APC to determine how a doctor's time is being utilized (inclusive of all diagnostics and therapies). RPP and APC metrics are consolidated into the presentation of average daily service revenue and average daily product revenue. The Company believes these analyses helps the Company ensure that its caseload is revenue positive to avoid clinicians spending time on patient work which underutilizes their time and erodes labor profitability. The Company also believes these metrics are useful to investors and potential investors to compare the Company's service-to-product revenue mix against generally accepted industry targets and specific veterinary care service provider competitors.

The services revenue and product revenue metrics are measured in dollars as calculated by the practice management software we provide to each of our clinics to track medical notes, treatment plans, services and products prescribed and provided, as well as to manage invoicing related to all of the above. Reports are generated which allow Company management to view each of these as line-items as well as measure the ratio of service revenue versus product revenue within our revenue mix.

The Company believes the ratio metric is useful for the management and its investors for several reasons:

- The Company and its medical leadership teach and enable its medical staff to provide comprehensive medical care which is appropriate for each animal patient. For example, charges to a client which skew too heavily toward products and do not include necessary services may be indicator that medical cases are not being fully diagnosed using an appropriate standard of available and appropriate diagnostics and care. This broad analysis can indicate more questions should be asked about how cases are managed by certain providers, particularly if patterns emerge;
- Comprehensive care for pets means physical exams, dental care, blood work and many other service related line-items. An overreliance on product revenue alone (which products may be available over-the-counter outside of the veterinary channel) leaves veterinary clinics susceptible to sales transfer to other channels. In addition, appropriate veterinary care (as defined by market practice and some state licensing boards) does not include prescribing products without the delivery of diagnostic and care services.
- Advancements in veterinary care within the last decade such as anesthetic protocols, pain management, fear free medicine and other services have shown great efficacy for the betterment of patients and their recovery from illness or surgeries. The absence of certain services and procedures within, for instance, a surgery package for a patient, would indicate an opportunity to improve outcomes for a patient and extend life expectancy. These are positive outcomes for clients and, therefore, of interest and value to the Company and our investors.

Service Revenues: The Company recognizes service revenue from health exams, pet grooming, veterinary care, and certain other services performed at our animal hospitals or clinics and is recognized once the service is completed, as this is when the customer has the ability to direct the use of and obtain the benefits of the services. Payment terms are at the point of sale but may also occur upon completion of the service. Service revenue increased \$472,714 or 15%, to \$3,545,599 for the three months ended March 31, 2024 as compared to \$3,072,885 for the three months ended March 31, 2023. The increase was driven by an increase in revenue for six animal hospitals and clinics of \$405,902 and one new animal hospital acquired in Q4 2023 resulting in \$284,555 increase offset by the decrease of \$217,743 by the seven animal hospitals and clinics already in operations.

Product Revenues: Product revenue is recognized when control passes, which occurs at a point in time when the customer completes a transaction at our animal hospitals or clinics and receives the product. Product revenue increased \$76,338, or 6%, to \$1,285,968 for the three months ended March 31, 2024 as compared to \$1,209,630 for the three months ended March 31, 2023. The increase in product revenue was driven primarily by the acquisition of an animal hospital during Q4 2023. The acquisition provided an increase in revenue of \$162,267 offset by the decrease of \$85,929 in the remaining thirteen (13) animal hospitals and clinics in operations for the three months ended March 31, 2024.

Cost of service revenue (exclusive of depreciation and amortization): Cost of service revenue consists of cost directly related to the animal services provided at the Company's veterinary clinics and animal hospitals, which primarily includes personnel-related compensation costs of the employees at the Company's veterinary clinics or animal hospitals, laboratory costs, pet supply costs, third-party veterinarian contractors, office rent, utilities, supplies, and other cost arising as a result of the services being performed, excluding depreciation and amortization. Cost of service revenue increased \$401,244, or 17%, to \$2,709,147 for the three months ended March 31, 2024, as compared to \$2,307,903 for the three months ended March 31, 2023. The increase in cost of service revenue sold excluding depreciation and amortization was driven primarily by acquisition of Valley Veterinary animal hospital and increase to payroll costs.

Cost of product revenue (exclusive of depreciation and amortization): Cost of product revenue consists of cost directly related to the product sales at the Company's veterinary clinics and animal hospitals, which primarily includes personnel-related compensation costs of the employees at the Company's veterinary clinics or animal hospitals, purchase price of the medication we dispense, and purchase price of product sold, excluding depreciation and amortization. Cost of product revenue increased \$136,707, or 16%, to \$1,016,107 for the three months ended March 31, 2024 as compared to \$879,400 for the three months ended March 31, 2023. The increase in was driven primarily by the acquisition of Valley Veterinary animal hospital, an increase to payroll costs and increase in product cost.

General and Administrative Expense: General and administrative expenses include personnel-related compensation costs for corporate employees, such as management, accounting, legal, acquisition related and non-recurring expenses, insurance and other expenses used to operate the business. General and administrative expenses increased \$1,071,684, or 59% to \$2,873,343 for the three months ended March 31, 2024 compared to \$1,801,659 for the three months ended March 31, 2023. The increase was primarily due to the expenses generated by the Company's animal hospitals and clinics acquired and the IR agency contracts and consulting contracts the Company entered into during the first quarter of 2024.

Depreciation and Amortization Expense: Depreciation and amortization expenses mainly relate to the assets used in generating revenue. Depreciation and amortization increased \$68,705, or 23%, to \$367,197 for the three months ended March 31, 2024 as compared to \$298,492 for the three months ended March 31, 2023. The increase was primarily due to the acquisition of depreciable or amortizable assets as part of the acquisitions of animal hospitals and clinics.

Other Expense: Other expense are composed primarily of interest expenses and small denomination bank fee charges. Other expense increased \$25,277, or 5%, to \$559,289 for the three months ended March 31, 2024 as compared to \$545,435 for the three months ended March 31, 2023. The increase was the result of the Company incurring interest due to bank loans and other indebtedness to finance the acquisition of animal hospitals and clinics.

Net Loss: Net Loss increased \$1,882,843, or 122%, to \$3,421,792 for the three months ended March 31, 2024 as compared to \$1,538,949 for the three months ended March 31, 2023. The net loss is primarily attributable to the operating expenses associated with the Company's animal hospitals and clinics, the cost associated with the public raise during the quarter, the IR Agency Consulting Agreement and other 3rd party consulting arrangements entered into to increase customer outreach and improve operations.

Liquidity and Capital Resources

Since inception, we have financed our operations from a combination of:

- issuances and sales of senior convertible notes;
- issuance of convertible debentures;
- borrowings under other debt consisting of: (i) a principal lending relationship with Farmers National Bank of Danville; (ii) a principal lending relationship with First Southern National Bank; (iii) short term financing arrangements under merchant cash advance agreement;
- common stock purchase agreement with Tumim Stone Capital LLC,
- proceeds from issuance of equity; and
- cash generated from operations.

The Company has experienced operating losses since its inception and had a total accumulated deficit of \$24,972,894 as of March 31, 2024. The Company expects to incur additional costs and require additional capital as the Company continues to acquire additional veterinary hospitals, clinics and practices. During the three months ended March 31, 2024 the Company's cash used in operations was \$3,169,029.

The Company's primary short-term cash requirements are to fund working capital, lease obligations and short-term debt, including current maturities of long-term debt. Working capital requirements can vary significantly from period to period, particularly as a result of additional business acquisitions. The Company's medium-term to long-term cash requirements are to service and repay debt, to expand through acquisitions, and to invest in facilities and equipment for growth initiatives.

The Company's ability to fund its cash needs will depend, in part, on its ability to generate cash in the future, which depends on future financial results. The Company's future results are subject to general economic, financial, competitive, legislative and regulatory factors that may be outside of our control. The Company's future access to, and the availability of credit on acceptable terms and conditions, is impacted by many factors, including capital market liquidity and overall economic conditions.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred recurring losses and as of March 31, 2024, had an accumulated deficit of \$24,849,319. For the three, the Company sustained a net loss of \$3,421,792. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern for the next twelve months from the date these financial statements were issued. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is contingent upon its ability to obtain additional financing and to generate revenue and cash flow to meet its obligations on a timely basis. The Company will continue to seek to raise additional funding through debt or equity financing during the next twelve months. Management believes that actions presently being taken to obtain additional funding provide the opportunity for the Company to continue as a going concern. There is no guarantee the Company will be successful in achieving these objectives.

We cannot be sure that future funding will be available to us on acceptable terms, or at all. Due to often volatile nature of the financial markets, equity and debt financing may be difficult to obtain.

We may seek to raise any necessary additional capital through a combination of private or public equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements and other marketing and distribution arrangements. To the extent that we raise additional capital through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights or future revenue streams on terms that may not be favorable to us. If we raise additional capital through private or public equity offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

As of the date of this filing, the Company was in compliance with all covenants and restrictions associated with our debt agreements. The Company is not aware of any instances of breaches or non-compliance with its covenants and commitments under its debt agreements.

Master Lending and Credit Facility

On June 25, 2021, the Company entered into a master line of credit loan agreement ("MLOCA") with Wealth South a division of Farmers National Bank of Danville, Kentucky ("FNBD"). The MLOCA provides for a \$2,000,000 revolving secured credit facility ("Revolving Line") to be drawn for the initial purchase of veterinary clinical practices ("Practices") and a \$8,000,000 closed end line of credit ("Closed End Line") to be disbursed as individual loans (Term Loans) to paydown draws on the Revolving Line and to provide longer term financing of the purchase of Practices. Each draw on the Revolving Line shall be repaid with a Term Loan out of the Closed End Line within one hundred and twenty (120) days of the draw on the Revolving Line. Each draw on the Revolving Line and the Closed End Line shall not exceed eighty-five (85%) percent of the purchase price of the Practice. The Company shall contribute and maintain equity of a minimum of fifteen (15%) percent of the initial purchase price of a Practice as long as any draw on the Revolving Line or a Term Loan remains unpaid with FNBD. The Revolving Line has an interest rate equal to the New York Prime Rate plus 0.50% that shall never be less than 3.57%. Each Term Loan issued under the Closed End Line shall have a fixed interest rate of 3.98% for the first five years of the loan. Immediately following the fixed rate period, the rate of interest rate will equal to the New York Prime Rate plus 0.65% that shall never be less than 3.57%. Each Practice to be acquired must have a minimum projected debt-service coverage ratio ("DSCR") of 1.0x, defined as earnings before interest depreciation

and amortization ("EBIDA")/Annual Debt Service Requirement. The MLOCA terminates and the Revolving Line matures on June 25, 2023.

Under the MLOCA the Term Loans to acquire a Practice shall not exceed 10 years. The first twelve months of the Term Loan may be interest only. Thereafter, the Loan will convert to an amortizing loan with monthly principal and interest payments. For Practice only Term Loans ("Practice Term Loans"), after the initial twelve-month interest only period, the balance will amortize over 9 years. For Loans made to purchase real property ("RE Term Loans"), after the initial twelve-month interest only period, the balance will amortize over a 19-year period.

There is no prepayment penalty on payments on the Revolving Line. The Term Loans are subject to a refinance fee of 2% of the then outstanding principal balance of the Term Loan if paid within two years of entering into the Term Loan and 1% of the then outstanding principal balance of the Term Loan if paid within three to five years of entering into the Term Loan. The refinance fee is due only if the Term Loan is paid off by refinancing. Borrowing under the MLOCA are guaranteed by Kimball Carr, CEO & President of the Company.

On August 18, 2022 the MLOCA was amended and restated to terminate the revolving feature on the Revolving Line and convert the line of credit to a closed end draw note ("Closed End Draw Note") that mature on August 18, 2024. Each draw on the Closed End Draw Note shall not exceed eighty-five (85%) percent of the purchase price of the Practice. The Company shall contribute and maintain equity of a minimum of fifteen (15%) percent of the initial purchase price of a Practice as long as any draw on the Closed End Draw Note or a Term Loan remains unpaid with FNBD. The interest rate charge on all sums advance under the amended and restated MLOCA shall be 5.25% for the first five years of the loan. Immediately following the fixed rate period, the rate of interest will be equal to the New York Prime Rate plus 0.65% that shall never be less than 4.75%. Each Practice to be acquired must have a minimum projected DSCR of 1.0x, defined as EBIDA/Annual Debt Service Requirement. The MLOCA terminates and the Closed End Draw Note matures on August 18, 2024.

Notes payable to FNBD as of March 31, 2024 and December 31, 2023 consisted of the following:

| Original Principal | Acquisition | Entered | Maturity | Interest | March 31, 2024 | December 31, 2023 | Issuance Cost |
|---------------------|--------------|----------|----------|----------|---------------------|---------------------|------------------|
| \$ 237,272 | CAH | 12/27/21 | 12/27/41 | 3.98% | \$ 235,150 | \$ 237,272 | \$ 6,108 |
| 231,987 | CAH | 12/27/21 | 12/27/31 | 3.98% | 226,582 | 231,987 | 6,108 |
| 216,750 | P&F | 12/27/21 | 12/27/41 | 3.98% | 214,812 | 216,750 | 5,370 |
| 318,750 | P&F | 12/27/21 | 12/27/31 | 3.98% | 311,323 | 318,750 | 5,370 |
| 817,135 | Pasco | 1/14/22 | 1/14/32 | 3.98% | 804,374 | 817,135 | 3,085 |
| 478,098 | Lytle | 3/15/22 | 3/15/32 | 3.98% | 478,098 | 478,098 | 1,898 |
| 663,000 | Lytle | 3/15/22 | 3/15/42 | 3.98% | 663,000 | 663,000 | 11,875 |
| 425,000 | Kern | 3/22/22 | 3/22/42 | 3.98% | 425,000 | 425,000 | 7,855 |
| 1,275,000 | Kern | 3/22/22 | 3/22/32 | 3.98% | 1,275,000 | 1,275,000 | 4,688 |
| 246,500 | Bartow | 5/18/22 | 5/18/42 | 3.98% | 246,500 | 246,500 | 5,072 |
| 722,500 | Bartow | 5/18/22 | 5/18/32 | 3.98% | 722,500 | 722,500 | 2,754 |
| 382,500 | Dietz | 6/15/22 | 6/15/32 | 3.98% | 382,500 | 382,500 | 1,564 |
| 445,981 | Aberdeen | 7/19/22 | 7/29/32 | 3.98% | 445,981 | 445,981 | 1,786 |
| 1,020,000 | All Breed | 8/12/22 | 8/12/42 | 3.98% | 1,020,000 | 1,020,000 | 8,702 |
| 519,527 | All Breed | 8/12/22 | 8/12/32 | 3.98% | 519,527 | 519,527 | 3,159 |
| 225,923 | All Breed | 8/12/22 | 8/12/32 | 5.25% | 225,923 | 225,923 | 3,159 |
| 637,500 | Williamsburg | 12/8/22 | 12/8/32 | 5.25% | 637,500 | 637,500 | 2,556 |
| 850,000 | Valley Vet | 11/8/23 | 11/8/33 | 5.25% | 850,000 | 850,000 | 3,315 |
| \$ 9,713,423 | | | | | \$ 9,141,096 | \$ 9,309,286 | \$ 84,424 |

The Company amortized \$1,543 and \$2,082 of issuance cost in the aggregate during the three months ending March 31, 2024 and 2023, respectively, for the FNBD notes payable.

FSB Commercial Loans

On January 11, 2021, the Company entered into three separate commercial loans with First Southern National Bank ("FSB") as part of the Kauai Veterinary Clinic, LLC acquisition. The first commercial loan in the amount of \$1,105,000 has a fixed interest rate of 4.35% and a maturity date of January 15, 2024. The commercial loan was modified in January 2021 to extend the maturity date to February 25, 2041. The fixed rate loan has monthly payments of \$6,903 and the interest rate remained at 4.35%. The commercial loan had issuance costs of \$13,264 for the year ended December 31, 2021 that was capitalized and is being amortized straight line over the life of the loan. The Company amortized \$165 and \$163 of issuance cost during the three months ended March 31, 2024 and 2023, respectively.

The second commercial loan with FSB entered into on January 11, 2021 in the amount of \$1,278,400 has a fixed interest rate of 4.35% and a maturity date of September 1, 2024. The commercial loan was modified in January 2021 to extend the maturity date to January 25, 2031. The fixed rate loan has monthly payments of \$13,157 and the interest rate remained at 4.35%. The commercial loan had issuance costs of \$10,085 for the year ended December 31, 2021 that was capitalized and is being amortized straight line over the life of the loan. The Company amortized \$253 and \$251 of issuance cost during the three months ended March 31, 2024 and 2023, respectively.

The third commercial loan with FSB entered into on January 11, 2021 in the amount of \$450,000 has a fixed interest rate of 5.05% and a maturity date of September 11, 2021. The commercial loan was modified on August 25, 2021 to extend the maturity date to February 25, 2023 and increase the principal amount to \$469,914. The fixed rate loan has monthly payments of \$27,164 and the interest rate remained at 5.05%. The commercial loan had issuance costs of \$753 for the year ended December 31, 2021 that was capitalized and is being amortized straight line over the life of the loan. The Company amortized \$0 and \$58 of issuance cost during the three months ended March 31, 2024 and 2023, respectively.

On October 31, 2022 the company entered into three separate commercial loans with FSB as part of the Pony Express Practice acquisition. The first loan with FSB that was entered into on October 31, 2022, was in the amount of \$2,086,921. The loan has a fixed interest rate of 5.97% and a maturity date of October 31, 2025. The fixed rate loan has monthly payments of \$23,138 except for a final monthly payment of \$1,608,530. The commercial loan had issuance costs of \$25,575 for the year ended December 31, 2022, that was capitalized and is being amortized straight line over the life of the loan. The Company amortized \$2,123 and \$2,100 of issuance cost during the three months ended March 31, 2024 and 2023, respectively.

The second loan with FSB that was entered into on October 31, 2022, was in the amount of \$400,000. The loan has a fixed interest rate of 5.97% and a maturity date of October 31, 2042. The fixed rate loan has monthly payments of \$2,859. The commercial loan had issuance costs of \$3,277 for the year ended December 31, 2022, that was capitalized and is being amortized straight line over the life of the loan. The Company amortized \$41 and \$40 of issuance cost during the three months ended March 31, 2024 and 2023, respectively.

The third loan with FSB that was entered into on October 31, 2022, was in the amount of \$700,000. The loan has a fixed interest rate of 6.75% and a

maturity date of April 1, 2023. The fixed rate loan has monthly payments of \$6,903 except for a final monthly payment of \$423,278. The commercial loan did not have any issuance costs that were capitalized.

On December 16, 2022, the company entered into two separate commercial loans with FSB as part of the Old 41 Practice acquisition. The first loan with FSB that was entered into on December 16, 2022, was in the amount of \$568,000. The loan has a fixed interest rate of 6.50% and a maturity date of December 16, 2025. The fixed rate loan has monthly payments of \$4,772, except for a final payment of 593,039. The loan had issuance costs of \$4,531 for the year ended December 31, 2022, that was capitalized and is being amortized straight line over the life of the loan. The Company amortized \$376 and \$372 of issuance cost during the three months ended March 31, 2024 and 2023, respectively.

The second loan with FSB that was entered into December 16, 2022, was in the amount of \$640,000. The loan has a fixed interest rate of 6.50% and a maturity date of December 16, 2025. The fixed rate loan has twelve monthly payments of approximately \$2,830, followed by monthly payments of \$7,443. and the interest rate is 6.50%. The loan had issuance costs of \$5,077 for the year ended December 31, 2022, that was capitalized and is being amortized straight line over the life of the loan. The Company amortized \$422 and \$417 of issuance cost during the three months ended March 31, 2024 and 2023, respectively.

The FSB commercial loans are guaranteed by Kimball Carr, Chief Executive Officer and President and Charles Stith Keiser, our Vice Chairman and Chief Operating Officer.

Notes payable to FSB as of March 31, 2024 and December 31, 2023 consisted of the following:

| Original Principal | Acquisition | Entered | Maturity | Interest | March 31, 2024 | December 31, 2023 | Issuance Cost |
|---------------------|--------------|-----------|-----------|----------|---------------------|---------------------|------------------|
| \$ 1,105,000 | KVC | 1/25/21 | 2/25/41 | 4.35% | \$ 987,082 | \$ 997,010 | \$ 13,264 |
| 1,278,400 | KVC | 1/25/21 | 1/25/31 | 4.35% | 931,696 | 960,849 | 10,085 |
| 469,914 | KVC | 1/25/21 | 2/25/23 | 5.05% | - | - | 753 |
| 2,086,921 | Pony Express | 10/31/22 | 10/31/25 | 5.97% | 1,861,227 | 1,902,452 | 25,575 |
| 400,000 | Pony Express | 10/31/22 | 10/31/42 | 5.97% | 384,624 | 387,433 | 3,277 |
| 568,000 | Old 41 | 12/16/22 | 12/16/25 | 6.5% | 508,385 | 520,697 | 4,531 |
| 640,000 | Old 41 | 12/16/22 | 12/16/25 | 6.5% | 619,660 | 623,861 | 5,077 |
| 375,000 | Valley Vet | 11/8/2023 | 11/8/2024 | 8.5% | 375,000 | 375,000 | 6,877 |
| \$ 7,623,235 | | | | | \$ 5,667,674 | \$ 5,767,302 | \$ 69,439 |

Notes payable as of March 31, 2024 and December 31, 2023 consisted of the following:

| | March 31, 2024 | December 31, 2023 |
|-------------------------------------|----------------------|----------------------|
| FNBD Notes Payable | \$ 9,141,096 | \$ 9,309,286 |
| FSNB Notes Payable | 5,667,674 | 5,767,302 |
| Total notes payable | 14,808,770 | 15,076,588 |
| Unamortized debt issuance costs | (116,540) | (124,170) |
| Notes payable, net of issuance cost | 14,692,230 | 14,952,418 |
| Less current portion | (1,203,402) | (1,469,043) |
| Long-term portion | \$ 13,488,828 | \$ 13,483,375 |

Notes payable repayment requirements as of March 31, 2024, in the succeeding years are summarized as follows:

| | |
|-------------------|--------------|
| Remainder of 2024 | \$ 1,203,402 |
| 2025 | 3,776,189 |
| 2026 | 1,008,110 |
| 2027 | 1,052,832 |
| 2028 | 1,098,387 |
| Thereafter | \$ 6,669,850 |

Loan Payable

On May 30, 2023, the Company entered into a Merchant Cash Advance Agreement for gross proceeds of \$1,050,000 with an unrelated third-party financial institution. Under the terms of the agreement, the Company must pay \$57,346 each week for 26 weeks with the first payment being due June 6, 2023. The financing arrangement has an effective interest rate of 49%. The financing arrangement includes an original issuance discount ("OID") of \$441,000 and issuance costs of \$50,000. The OID and issuance cost associated with the financing arrangement are presented in the balance sheets as a direct deduction from the carrying amount of the financing arrangement and is amortized using the effective interest method.

On August 10, 2023, the Company amended the financing arrangement to borrow an additional \$507,460 resulting in the weekly repayments increasing to \$76,071 to be paid over 28 weeks. This amendment decreased the effective interest rate to 41%. The refinancing resulted in a loss on debt modification of \$441,618

On November 28, 2023, the Company amended the financing arrangement to borrow an additional \$531,071 resulting in the weekly payments to decrease to \$56,800 to be paid over 40 weeks. This amendment increased the effective rate to 49%. The refinancing resulted in a loss on debt modification of \$485,436.

On January 18, 2024, the Company amended the financing arrangement to borrow an additional \$549,185 resulting in the weekly payments to increase to \$86,214 to be paid over 43 weeks. This amendment increased the effective interest rate to 52%. The refinancing resulted in a loss on debt modification of \$728,278.

During the three months ended March 31, 2024, the Company amortized \$379,313 of OID and issuance cost included in interest expense on the statement of operations. During the three months ended March 31, 2024, the Company made \$1,032,540 in payments on the loan payable. The outstanding balance of the loan payable as of December 31, 2023, is \$2,809,820. The financing arrangement is secured by an interest in virtually all assets of the Company with a first security interest in accounts receivable. The financing arrangement is guaranteed by the Company's CEO.

Convertible Note Payable

On March 26, Inspire Veterinary entered into a securities purchase agreement (the "Purchase Agreement") with certain investor. Pursuant to the Purchase Agreement, Inspire Veterinary issued to investors Increasing OID Senior Note ("Convertible Note Payable") for \$250,000. The Convertible Note Payable has a maturity date of the earlier of December 26, 2024 or the consummation of a capital raise (the "Maturity Date").

The Convertible Note Payable contain an original issued discount ("OID") which shall be: (i) fifteen percent (15%) if the Convertible Note Payable is satisfied and paid in full on or before the forty-fifth (45th) day after the Original Issue Date (as such term is defined in the Notes), (ii) twenty percent (20%) if the Convertible Note Payable is satisfied and paid in full after such 45th day but on or before the ninetieth (90th) day after the Original Issue Date, and (iii) thirty percent (30%) after such 90th day. The Convertible Note Payable can be prepaid at any time prior to the Maturity Date without any penalties.

The Convertible Note Payable must be repaid in full from any future capital raises (debt, equity or any other form of capital raise) of Inspire Veterinary. All of the funds raised must be used to repay the Convertible Note Payable until the Convertible Note Payable are repaid in full

The Convertible Note Payable are convertible into shares of common stock of Inspire Veterinary, in full or in part, at any time after issuance at the discretion of the noteholder at a fixed conversion price of \$0.03 per share (the "Fixed Conversion Price").

If the Convertible Note Payable is not repaid by the Maturity Date the default provisions are as follow: (i) The Face Value (as such term is defined in the Convertible Note Payable) of the Convertible Note Payable will increase by 20% (to a 50% OID -- \$1,000,000 Face Value); (ii) the conversion price of the Convertible Note Payable will become convertible at the lower of (a) the Fixed Conversion Price or (b) 20% discount to a 3-Day volume-weighted average price (the "Default Conversion Price").

Cash Flows for The Three Months Ended March 31, 2024 and 2023

The following table provides detailed information about our net cash flows for the periods indicated:

| | Three Months Ended March 31, | |
|--|---------------------------------|-------------------|
| | 2024 | 2023 |
| Net cash used in operating activities | \$ (3,169,029) | \$ (309,455) |
| Net cash used in investing activities | (156,945) | (14,002) |
| Net cash provided by financing activities | 3,216,090 | 473,069 |
| Net increase (decrease) in cash and cash equivalents | <u>\$ (109,884)</u> | <u>\$ 149,612</u> |

Operating Activities

For the three months ended March 31, 2024, operating activities used \$3,169,029 of cash compared to \$309,455 net cash provided for the three months ended March 31, 2023. The cash used was primarily due to the Company's net loss of \$3,421,792 offset by non-cash expense of \$2,431,325, which consisted of \$347,382 of depreciation and amortization, \$15,825 of amortization of issuance costs, \$379,313 of amortization of debt discount, \$53,831 of amortization of operating rights of use assets, \$286,696 for issuance of class A common stock for services, \$728,278 for loss on debt modification, \$20,000 for issuance of class A common stock for general release agreement, \$600,000 for issuance of Class A common stock and pre-funded warrants in connection with commitment shares and positive working capital of \$1,965,647, including increase in accounts receivables of \$312,915, \$48,874 increase in refundable income tax, \$12,220 increase in other assets, \$403,107 increase in accrued expenses, \$92,322 increase in cumulative series A preferred stock dividends payable, \$1,642,552 increase in prepaid expenses and other current assets, and \$40,108 increase in operating lease liabilities. These increases were offset by decreases of \$32,519 due from former owners, \$25,852 decrease in inventory, and \$315,165 decrease in accounts payable.

For the three months ended March 31, 2023, the cash used was primarily due to the Company's net loss of \$1,538,949 offset by non-cash expense of \$673,072, which consisted of \$298,492 of depreciation and amortization, \$70,212 of amortization of issuance costs, \$ 242,631 of amortization of debt discount, \$ 59,036 of amortization of operating rights of use assets, \$2,701 for issuance of warrants to the CEO, and negative working capital of \$556,422, including decrease of \$37,425 in due from former owners, \$60,414 decrease in prepaid expenses and other current assets, \$550,043 decrease in accounts payable, and \$118,450 decrease in accrued expenses, offset by an increase of \$70,553 increase in accounts receivable, \$18,459 increase in inventory, \$70,431 increase in other assets, and \$50,467 increase in operating lease liabilities.

Investing Activities

For the three months ended March 31, 2024, and 2023, the cash used was attributable to the purchase of property and equipment of \$156,945 and \$14,002, respectively.

Financing Activities

For the three months ended March 31, 2024, the cash provided was due to the \$3,375,458 proceeds from issuance of class A common stock and pre-funded warrants, net of issuance costs, \$549,185 net proceeds from loan payable, \$200,000 proceeds for issuance of convertible series A preferred stock, \$500,000 proceeds from convertible note payable offset by \$1,032,540 payments on loan payable, \$276,013 repayment on note payable and \$100,000 repayment on convertible debentures.

For the three months ended March 31, 2023, the cash provided was due to the \$650,000 of proceeds from issuance of convertible debentures offset by \$176,931 repayment of note payable.

Critical Accounting Policies and Significant Judgments and Estimates

A summary of our significant accounting policies is included in Note 2 of our audited consolidated annual financial statements included in Form 10-K filed with the SEC on April 8, 2024. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Our estimates and assumptions are based on historical experiences and changes in the business environment. However, actual results may differ from estimates under different conditions, sometimes materially. Critical accounting policies and estimates are defined as those that are both most important to the portrayal of our financial condition and

results of operations and require management judgment. Our critical accounting policies and estimates are described below.

Acquisitions

The Company enters into acquisitions primarily with existing veterinary hospitals throughout the United States. When we acquire a business or assets that are determined to meet the definition of a business, we allocate the purchase consideration paid to acquire the business to the assets and liabilities acquired based on estimated fair values at the acquisition date, with the excess of purchase price over the estimated fair value of the net assets acquired recorded as goodwill. If during the measurement period (a period not to exceed 12 months from the acquisition date) we receive additional information that existed as of the acquisition date but at the time of the original allocation described above was unknown to us, we make the appropriate adjustments to the purchase price allocation in the reporting period that the amounts are determined.

Goodwill

Goodwill represents the excess of the cost of an acquired business over the amounts assigned to its net assets. Goodwill is not amortized but is tested for impairment at a reporting unit level on an annual basis or when an event occurs, or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Events or changes in circumstances that may trigger interim impairment reviews include significant changes in business climate, operating results, planned investments in the reporting unit, or an expectation that the carrying amount may not be recoverable, among other factors.

The Company may first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, the Company determines it is more likely than not that the fair value of the reporting unit is greater than its carrying amount, an impairment test is unnecessary. If an impairment test is necessary, the Company will estimate the fair value of its related reporting units. If the carrying value of a reporting unit exceeds its fair value, the goodwill of that reporting unit is determined to be impaired, and the Company will proceed with recording an impairment charge equal to the excess of the carrying value over the related fair value.

Intangible Assets

Intangible assets consist of client list, trademark and non-compete intangibles that result from the acquisition of veterinary hospital or practices. Client list intangible represent the value of the long-term client relationship from the veterinary hospitals and practices. Trademark intangible assets represent the value associated with the brand names in place at the date of the acquisition. Non-compete intangible assets represent the value associated with non-compete agreements for former employees and owners in place at the date of the acquisition. The client lists and trademark are included in intangible asset reported in the balance sheet which are being amortized over a 5-year term based on the estimated economic useful life of the client list and trademark. The amortization of the intangible asset is computed using the straight-line method. The intangibles are evaluated for impairment on an annual basis or more frequently whenever events or circumstances occur indicating that the carrying amount may not be recoverable.

The Company uses the Multi-Period Excess Earnings Method ("MPEEM"), a form of the income approach to determine the fair market value of the client list (customer relationship) intangible assets acquired as part of the acquisitions of veterinary hospitals or practices. The principle behind the MPEEM is that the value of an intangible asset is equal to the present value of the incremental after-tax cash flows attributable only to the subject intangible asset after deducting contributory asset charges ("CAC").

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The principle behind a contributory asset charge is that an intangible asset "rents" or "leases" from a hypothetical third party all the assets it requires to produce the cash flows resulting from its development, that each project rents only those assets it needs (including elements of goodwill) and not the ones that it does not, and that each project pays the owner of the assets a fair return on (and of, when appropriate) the fair value of the rented assets. Thus, any net cash flows remaining after such charges are attributable to the subject intangible asset being valued. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value. CACs generally reflect an estimate of the amount a typical market participant would have to pay to use these contributory assets to generate income with the intangible asset.

The most significant assumptions used in our application of the MPEEM and in the valuation analysis of acquired client lists are:

- A useful life of 15 years where after 10 years the remaining customer base results in small positive cash flows and no terminal value was calculated.
- A discount rate of 19.6% was selected to calculate the present value of the prospective after-tax cash flows associated with the customer base and business development relationships.
- We utilized an annual Company sales retention rate of 74.0% (Veterinary Services industry rate) for the Customer Base.
- The contributory asset charges are based on returns (8.3% to 19.7%) for Net Working Capital (normalized); Fixed Assets; Assembled Workforce; Trade Name; and Non-Competes.

As of March 31, 2024, our intangible assets and goodwill balances were as follows:

| | <u>March 31, 2024</u> |
|-------------------------|---------------------------|
| Client List | \$ 2,071,000 |
| Noncompete Agreement | 398,300 |
| Trademark | 1,117,200 |
| Other Intangible Assets | 45,836 |
| Goodwill | <u>8,147,590</u> |
| | <u>\$ 11,779,926</u> |

Our valuations of the intangible assets apart of our veterinary clinics and animal hospital acquisitions has a relatively small value allocated to the client list (customer relationship) due to our use of the Veterinary Services industry rate of 74% for the retention rate in our valuations. An increase in the rate by 6% to 80% in our valuation would result in an increase of approximately \$1.2 million to the client list and a decrease of approximately \$1.2 million to goodwill. We have elected to use the industry standard as our Company has minimal historical operations with less than 2 years of revenue producing activities through December 31, 2022. No acquisitions occurred during the three months ended March 31, 2024. Management continues to evaluate the inputs used in our valuations based on quantitative and qualitative information available to the Company.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates, regulatory, and inflation.

Interest Rate Risk

Our credit facilities bear interest at a floating rate, generally equal to the New York Prime Rate plus an applicable margin. As a result, we are exposed to fluctuations in interest rates to the extent of our net borrowings under the Master Lending and Credit Facility, which were \$14,692,230 as of March 31, 2024. The exposure to interest rate fluctuations for the Company is considered minimal. The Company's term loans issued under the Master Lending and Credit Facility have a fixed interest rate for the initial five years followed by a variable interest rate. The Company has not used any financial instruments to hedge potential fluctuations in interest rates.

As interest rates rise, there is risk in the form of more expensive loans which would negatively impact the valuation and profitability of each hospital which is purchased.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, and operating results.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act") as of the end of the period covered by this quarterly report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this quarterly report on Form 10-Q, these disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports filed or submitted 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 to allow timely decisions regarding required disclosure.

Our management does not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected.

Changes in Internal Control over Financial Reporting

During the period covered by this quarterly report on Form 10-Q, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II **OTHER INFORMATION**

Item 1. Legal Proceedings

We know of no active or pending legal proceedings against us, nor are we involved as a plaintiff in any proceedings or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any beneficial shareholder are an adverse party or has a material interest adverse to us.

Item 1A. Risk Factors.

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

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

Underwriter Warrants

In connection with the Company's initial public offering (the "IPO") of shares of Class A common stock, on August 30, 2023, the Company issued to Spartan Capital Securities, LLC warrants to purchase up to an aggregate of 5% of the shares of Class A common stock sold in the IPO (the "Underwriter Warrants"). The Underwriter Warrants are exercisable 180 days after the effective date of the registration statement relating to the IPO at \$5.50 per share (110% of the public offering price), but may not be transferred at any time prior to the date which is 180 days beginning on the date of commencement of sales of securities in connection with this offering and expiring on a date which is three (3) years from the commencement of sales of the public offering in compliance with FINRA Rule 5110(e)(1)(A). The Underwriter Warrants have been deemed compensation by FINRA and are therefore subject to a 180-day lock-up pursuant to FINRA Rule 5110(e). Spartan Capital Securities, LLC (or its respective permitted assignees under Rule 5110(e)(2)(B)) will not sell, transfer, assign, pledge, or hypothecate the Underwriter Warrants or the securities underlying such warrants, nor will they engage in any hedging, short sale, derivative, put, or call transaction that would result in the effective economic disposition of such warrants or the underlying securities for a period of 180 days following the date of commencement of sales pursuant to the offering. In addition, the Underwriter Warrants provide for "piggy-back" registration rights with respect to the shares underlying such warrants, exercisable for a period of seven (7) years from the effective date of the offering in compliance with FINRA Rule 5110(g)(8)(D). The Company will bear all fees and expenses attendant to registering the securities issuable on exercise of the

Underwriter Warrants other than underwriting commissions incurred and payable by the holders thereof. The exercise price and number of shares issuable upon exercise of the Underwriter Warrants may be adjusted in certain circumstances including in the event of a stock dividend, extraordinary cash dividend or our recapitalization, reorganization, merger or consolidation. However, the exercise price of the Underwriter Warrants or the underlying shares of such warrants will not be adjusted for issuances of shares of Class A common stock at a price below such warrants' exercise price.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 Trading Arrangements

None of the Company's directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the quarter ended March 31, 2024, as such terms are defined under Item 408(a) of Regulation S-K.

Departure of Chief Operating Officer

On November 14, 2023, Charles Stith Keiser resigned his position as Chief Operating Officer of the Company, effective immediately. Mr. Keiser will continue to serve as a member of the Board of Directors of the Company. The resignation did not result from any disagreement between Mr. Keiser and the Company, its management, the Board or any committee of the Board.

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Item 6. Exhibits.

Exhibit No. Description

| | |
|----------|---|
| 31.1* | Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer |
| 31.2* | Rule 13a-14(a)/15d-14(a) Certification of Principal Financial and Accounting Officer |
| 32.1* | Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2* | Certification of Principal Financial and Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS* | Inline XBRL Instance Document |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Link base Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Link base Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Link base Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Link base Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

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SIGNATURES

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

Date: May 15, 2024

By: /s/ Kimball Carr
Kimball Carr
Chief Executive Officer
(Principal Executive Officer)

Date: May 15, 2024

By: /s/ Richard Frank
Richard Frank
Chief Financial Officer
(Principal Financial and Accounting Officer)

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**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
OF REGISTRANT PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(RULE 13a-14(a) OR 15d-14(a) OF THE EXCHANGE ACT)**

I, Hoang Nguyen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Inspire Veterinary Partners, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal 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 subsidiary, is made known to us by others within those entities, particularly for the period in which this quarterly report is being prepared;
 - b) 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 subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - 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;
 - 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 15, 2024

By: /s/ Hoang Nguyen
Name: Hoang Nguyen
Title: Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
OF REGISTRANT PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
(RULE 13a-14(a) OR 15d-14(a) OF THE EXCHANGE ACT)**

I, Richard Frank, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Inspire Veterinary Partners, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal 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 subsidiary, is made known to us by others within those entities, particularly for the period in which this quarterly 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;
 - 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 15, 2024

By: /s/ Richard Frank
Name: Richard Frank
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q of Inspire Veterinary Partners, Inc. (the "Company") for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: May 15, 2024

By: */s/ Kimball Carr*
Name: Kimball Carr
Title: Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with this quarterly report on Form 10-Q of Inspire Veterinary Partners, Inc. (the "Company") for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: May 15, 2024

By: */s/ Richard Frank*
Name: Richard Frank
Title: Chief Financial Officer
(Principal Financial Officer)