

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended **September 30, 2024**

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number **001-41775**

**NEURAXIS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**45-5079684**

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

**11611 N. Meridian Street, Suite 330  
Carmel, IN**

(Address of principal executive offices)

**46032**

(Zip Code)

**(812) 689-0791**

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	NRXS	NYSE American 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 and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐  
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 to Section 7(a)(2)(B) of the Securities Act. ☒

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

The number of shares of the registrant's common stock outstanding as of September 30, 2024 was 6,980,227 shares.

**TABLE OF CONTENTS**

<b>PART I</b>	<b>3</b>
ITEM 1: <b>FINANCIAL STATEMENTS</b>	<b>3</b>
Condensed Balance Sheets as of September 30, 2024 (Unaudited) and December 31, 2023	3
Condensed Statements of Operations for the Three and Nine Months Ended September 30, 2024 and 2023 (Unaudited)	4
Condensed Statements of Stockholders' Deficit for the Three and Nine Months Ended September 30, 2024 and 2023 (Unaudited)	5
Condensed Statements of Cash Flows for the Nine Months Ended September 30, 2024 and 2023 (Unaudited)	7
Notes to Condensed Financial Statements (Unaudited)	8
ITEM 2: <b>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION</b>	<b>27</b>
ITEM 3: <b>QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK</b>	<b>30</b>
ITEM 4: <b>CONTROLS AND PROCEDURES</b>	<b>31</b>

<b>PART II</b>	32
ITEM 1: <a href="#">LEGAL PROCEEDINGS</a>	32
ITEM 1A: <a href="#">RISK FACTORS</a>	32
ITEM 2: <a href="#">UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</a>	32
ITEM 3: <a href="#">DEFAULTS UPON SENIOR SECURITIES</a>	32
ITEM 5: <a href="#">OTHER INFORMATION</a>	32
ITEM 6: <a href="#">EXHIBITS</a>	33
<b>SIGNATURES</b>	34

## PART I

### ITEM 1. FINANCIAL STATEMENTS

#### NeurAxis, Inc. Condensed Balance Sheets

	September 30, 2024 (Unaudited)	December 31, 2023
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 260,885	\$ 78,560
Accounts receivable, net	52,594	73,167
Inventories, net	22,458	21,220
Prepays and other current assets	295,905	69,663
Total current assets	631,842	242,610
Property and Equipment, at cost:	464,402	436,626
Less - accumulated depreciation	(370,189)	(348,074)
Property and equipment, net	94,213	88,552
Other Assets:		
Operating lease right of use asset, net	297,842	70,263
Intangible assets, net	99,209	108,073
Security Deposit	20,163	—
<b>Total Assets</b>	<b>\$ 1,143,269</b>	<b>\$ 509,498</b>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	\$ 962,106	\$ 1,204,219
Accrued expenses	1,169,774	401,088
Current portion of operating lease payable	56,387	49,127
Notes payable	147,688	148,062
Customer deposits	84,512	74,947
Share liability	227,000	—
Warrant liabilities	16,659	8,225
Total current liabilities	2,664,126	1,885,668
Non-current Liabilities:		
Operating lease payable, net of current portion	273,075	27,071
Total non-current liabilities	273,075	27,071
Total liabilities	2,937,201	1,912,739
Commitments and contingencies (see note 12)	—	—
<b>Stockholders' Deficit</b>		
Convertible Series A Preferred stock, \$0.001 par value; 0 and 1,000,000 shares authorized; 0 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	—	—
Convertible Series Seed Preferred stock, \$0.001 par value; 0 and 120,000 shares authorized; 0 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	—	—
Convertible Series B Preferred stock, \$0.01 par value; 4,000,000 shares authorized, 2,073,524 and 0 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	2,074	—
Common stock, \$0.001 par value; 100,000,000 shares authorized; 6,980,227 and 6,508,897 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	6,980	6,509
Additional paid in capital	53,548,720	47,148,361
Accumulated deficit	(55,351,706)	(48,558,111)
Total Stockholders' Deficit	(1,793,932)	(1,403,241)
<b>Total Liabilities and Stockholders' Deficit</b>	<b>\$ 1,143,269</b>	<b>\$ 509,498</b>

**NeurAxis, Inc.**  
**Condensed Statements of Operations (Unaudited)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Net Sales</b>	<b>\$ 666,625</b>	<b>\$ 477,460</b>	<b>\$ 1,924,760</b>	<b>\$ 1,928,590</b>
Cost of Goods Sold	97,050	67,287	256,949	231,000
<b>Gross Profit</b>	<b>569,575</b>	<b>410,173</b>	<b>1,667,811</b>	<b>1,697,590</b>
Selling Expenses	95,430	64,210	226,374	250,933
Research and Development	72,422	44,950	132,304	171,536
General and Administrative	2,052,996	3,323,352	6,999,358	6,316,411
<b>Operating Loss</b>	<b>(1,651,273)</b>	<b>(3,022,339)</b>	<b>(5,690,225)</b>	<b>(5,041,290)</b>
Other (Expense) Income:				
Financing charges	—	—	(230,824)	(2,772)
Interest expense	(64,676)	(102,628)	(171,934)	(453,869)
Interest income	—	2,103	—	2,103
Change in fair value of warrant liability	(6,726)	592,853	(8,434)	791,610
Change in fair value of derivative financial instruments	—	6,394	—	198,551
Amortization of debt discount and issuance cost	(40,888)	(1,331,030)	(126,387)	(4,881,622)
Extinguishment of debt liabilities	—	(4,779,069)	—	(3,649,571)
Other income	17,072	9,931	20,032	11,483
Other expense	(8,743)	(1,578)	(585,824)	(9,008)
Total other (expense) income, net	(103,961)	(5,603,024)	(1,103,371)	(7,993,095)
<b>Net Loss</b>	<b>\$ (1,755,234)</b>	<b>\$ (8,625,363)</b>	<b>\$ (6,793,596)</b>	<b>\$ (13,034,385)</b>
<b>Per-Share Data</b>				
Basic and diluted loss per share	\$ (0.25)	\$ (2.38)	\$ (1.01)	\$ (5.11)
<b>Weighted Average Common Shares Outstanding</b>				
Basic and diluted	7,172,229	3,625,519	6,800,810	2,552,007

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

**NeurAxis, Inc.**  
**Condensed Statements of Stockholders' Deficit (Unaudited)**

	For the Three and Nine Months Ended September 30, 2023								
	Convertible Series A Preferred Stock		Convertible Series Seed Preferred Stock		Common Stock		Additional Paid In Capital	Accumulated Deficit	Stockholder's Deficit
	Shares	Amount	Shares	Amount	Shares	Amount			
<b>Balance at January 1, 2023</b>	<b>506,637</b>	<b>\$ 507</b>	<b>115,477</b>	<b>\$ 115</b>	<b>1,963,322</b>	<b>\$ 1,963</b>	<b>\$28,355,230</b>	<b>\$ (33,931,428)</b>	<b>\$ (5,573,613)</b>
Net loss	—	—	—	—	—	—	—	(2,173,408)	(2,173,408)
<b>Balance at March 31, 2023</b>	<b>506,637</b>	<b>\$ 507</b>	<b>115,477</b>	<b>\$ 115</b>	<b>1,963,322</b>	<b>\$ 1,963</b>	<b>\$28,355,230</b>	<b>\$ (36,104,836)</b>	<b>\$ (7,747,021)</b>
Net loss	—	—	—	—	—	—	—	(2,235,614)	(2,235,614)
<b>Balance at June 30, 2023</b>	<b>506,637</b>	<b>\$ 507</b>	<b>115,477</b>	<b>\$ 115</b>	<b>1,963,322</b>	<b>\$ 1,963</b>	<b>\$28,355,230</b>	<b>\$ (38,340,450)</b>	<b>\$ (9,982,635)</b>
Common stock issued upon initial public offering, net	—	—	—	—	1,098,667	1,099	4,859,622	—	4,860,721
Common stock issued upon preferred stock conversion	(506,637)	(507)	(115,477)	(115)	167,986	168	(622)	—	(1,076)
Common stock issued upon debt conversion	—	—	—	—	1,494,359	1,494	8,964,765	—	8,966,259

Common stock issued from agreements	—	—	—	—	425,000	425	(425)	—	—
Change in fair value of warrant liability upon initial public offering	—	—	—	—	—	—	3,721,007	—	3,721,007
Net loss	—	—	—	—	—	—	—	(8,625,363)	(8,625,363)
<b>Balances at September 30, 2023</b>	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>5,149,334</u>	<u>\$ 5,149</u>	<u>\$45,899,577</u>	<u>\$ (46,965,813)</u>	<u>\$ (1,061,087)</u>
	5								

**NeurAxis, Inc.**  
**Condensed Statements of Stockholders' Deficit (Unaudited)**

	For the Three and Nine Months Ended September 30, 2024										
	Convertible Series A Preferred Stock		Convertible Series Seed Preferred Stock		Convertible Series B Preferred Stock		Common Stock		Additional Paid In Capital	Accumulated Deficit	Stockholder's Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
<b>Balance at January 1, 2024</b>	—	\$ —	—	\$ —	—	\$ —	6,508,897	\$ 6,509	47,148,361	\$ (48,558,111)	\$ (1,403,241)
Warrants exercised	—	—	—	—	—	—	11,000	11	26,169	—	26,180
Additional paid in capital from warrants issued under consulting agreement	—	—	—	—	—	—	—	—	15,543	—	15,543
Additional paid in capital from warrants issued as debt discount	—	—	—	—	—	—	—	—	97,465	—	97,465
Common stock issued from agreements	—	—	—	—	—	—	75,000	75	200,175	—	200,250
Net loss	—	—	—	—	—	—	—	—	—	(2,120,651)	(2,120,651)
<b>Balance at March 31, 2024</b>	—	\$ —	—	\$ —	—	\$ —	6,594,897	\$ 6,595	\$47,487,713	\$ (50,678,762)	\$ (3,184,454)
Additional paid in capital from warrants issued under consulting agreement	—	—	—	—	—	—	—	—	44,853	—	44,853
Common stock issued from agreements	—	—	—	—	—	—	246,724	247	798,682	—	798,929
Net loss	—	—	—	—	—	—	—	—	—	(2,917,710)	(2,917,710)
<b>Balances at June 30, 2024</b>	—	\$ —	—	\$ —	—	\$ —	6,841,621	\$ 6,842	\$48,331,248	\$ (53,596,472)	\$ (5,258,382)
Additional paid in capital from warrants issued under consulting agreement	—	—	—	—	—	—	—	—	65,426	—	65,426
Common stock issued from agreements	—	—	—	—	—	—	138,606	138	384,694	—	384,832

Debt discount on mandatory conversion of convertible promissory notes to Series B preferred shares	—	—	—	—	—	—	—	—	(165,577)	—	(165,577)
Conversion of convertible promissory note to Series B Preferred Stock	—	—	—	—	2,073,524	2,074	—	—	4,932,929	—	4,935,003
Net loss	—	—	—	—	—	—	—	—	—	(1,755,234)	(1,755,234)
<b>Balances at September 30, 2024</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>2,073,524</b>	<b>\$ 2,074</b>	<b>6,980,227</b>	<b>\$ 6,980</b>	<b>\$53,548,720</b>	<b>\$ (55,351,706)</b>	<b>\$ (1,793,932)</b>

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

**NeurAxis, Inc.**  
**Condensed Statements of Cash Flows (Unaudited)**

	For the Nine Months Ended September 30,	
	2024	2023
<b>Cash Flows from Operating Activities</b>		
Net Loss	\$ (6,793,596)	\$ (13,034,385)
Adjustments to reconcile net loss to net cash used by operating activities:		
Amortization of debt discount and issuance cost	126,387	4,881,622
Depreciation and amortization	30,980	30,290
Provisions for losses on accounts receivable	23,156	6,380
Provision for losses on inventory	2,030	—
Non-cash lease expense	29,098	23,339
Non-cash interest expense	—	260,777
Stock-based compensation	227,000	—
Extinguishment of derivative liability	—	3,649,571
Issuance of common stock for non-cash consideration	1,103,124	2,550,000
Fair value of warrants issued for non-cash consideration	125,824	—
Finance charges	230,824	2,772
Change in fair value of derivative liabilities	—	(198,551)
Change in fair value of warrant liabilities	8,434	(791,610)
Changes in operating assets and liabilities:		
Accounts receivable	(2,583)	35,637
Inventory	(3,268)	13,603
Prepays and other current assets	19,767	(37,967)
Accounts payable	(242,112)	(1,025,467)
Accrued expenses	768,686	(415,181)
Customer deposits	9,565	9,798
Operating lease liability	(3,413)	(25,047)
Net cash used by operating activities	(4,340,097)	(4,064,419)
<b>Cash Flows from Investing Activities</b>		
Additions to property and equipment	(27,776)	(14,741)
Additions to intangible assets	—	(41,000)
Net cash used by investing activities	(27,776)	(55,741)
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of common stock, net of issuance costs	—	5,464,642
Offering costs in advance of sale of common stock	—	(2,417,185)
Proceeds from exercised warrants	26,180	—
Principal payments on notes payable	(216,482)	(3,487,578)
Proceeds from notes payable	—	159,831
Proceeds from convertible notes, net of fees	4,740,500	4,908,000
Net cash provided by financing activities	4,550,198	4,627,710
<b>Net Increase in Cash and Cash Equivalents</b>	<b>182,325</b>	<b>507,550</b>
Cash and Cash Equivalents at Beginning of Period	78,560	253,699
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 260,885</b>	<b>\$ 761,249</b>
<b>Supplemental Disclosure of Operating Activities</b>		
Cash paid for interest	\$ 30,756	\$ 192,015
Cash paid for income taxes	—	—
<b>Supplemental Schedule of Non-Cash Investing and Financing Activities</b>		
Recognition of right of use asset	\$ 284,339	\$ —
Conversion of convertible promissory notes to Series B preferred stock	4,935,000	—

Fair value of warrant liabilities from convertible notes	—	2,446,502
Fair value of derivative liabilities of conversion feature from convertible notes	—	2,375,378
Fair value of warrants from debt discount in convertible notes classified as additional paid in capital	97,465	—
Write-off of debt discount on convertible notes classified as additional paid in capital	165,777	—
Issuance of note payable to financing company for insurance premiums	216,110	—

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

## 1. Basis of Presentation, Organization and Other Matters

NeurAxis, Inc. ("we," "us," the "Company," or "NeurAxis") was established in 2011 and incorporated in the state of Indiana on April 17, 2012, under the name of Innovative Health Solutions, Inc. The name was changed to NeurAxis, Inc. in March of 2022. Additionally, the Company filed a Certificate of Conversion to become a Delaware corporation on June 23, 2022. The authorized shares were increased, and a par value established.

On January 10, 2023, the Company's board of directors authorized a 1-for-2 reverse stock split. All per share information has been adjusted for this reverse stock split. The reverse split became effective on January 12, 2023. All share and per share amounts for the common stock have been retroactively restated to give effect to the splits.

As part of the conversion to a Delaware corporation, the total number of shares of all classes of stock which the Corporation had authority to issue was (1) 100,000,000 shares of Common Stock, par value \$ 0.001 per share ("Common Stock") and (ii) 1,120,000 shares of Preferred Stock, par value \$ 0.001 per share ("Preferred Stock"), 1,000,000 of which was designated as "Series A Preferred Stock" and 120,000 of which was designated as "Series Seed Preferred Stock" with the rights, preferences, powers, privileges and restrictions, qualifications and limitations set forth in this Article IV of the Delaware Certificate of Incorporation. All share amounts have been retroactively restated to give effect to these changes.

On August 9, 2023, the Company consummated an initial public offering ("IPO"), conducted on a firm commitment basis, pursuant to which it sold 1,098,667 shares of its common stock at a price of \$ 6.00 per share, resulting in gross proceeds to the Company of \$ 6,592,002. Net proceeds to the Company, after deducting underwriting discounts and commissions, 2022 deferred offering costs totaling \$736,736 and offering expenses paid by the Company, were \$4,110,721. All shares sold in our IPO were registered pursuant to a registration statement on Form S-1 (File No. 333- 269179), as amended, declared effective by the SEC on August 9, 2023. Alexander Capital L.P. ("Alexander") acted as sole book-running manager for the offering and Spartan Capital Securities, LLC acted as co-manager for the offering. The underwriters did not exercise their option to purchase up to an additional 164,801 shares of common stock. The Company paid the underwriters an underwriting discount of seven percent ( 7%) of the amount raised in the offering. In addition, we also paid the underwriters a non-accountable expense allowance in the amount of 1% (such 8% in commissions and fees amounted to a total of \$527,000) at closing, as well as \$175,000 for the reimbursement of certain of the underwriters' expenses. Additionally, as partial consideration for services rendered in connection with the offering, the Company issued Alexander unregistered warrants to purchase an aggregate of 65,921 shares of Company common stock, representing 6.0% of the aggregate shares sold in the offering. The warrants have an initial exercise price of \$7.20 per share (equal to 120% of the offering price per share), have a term of five years from the commencement of sales in the offering, and are exercisable at any time.

On August 15, 2024, the Company's shareholders (i) authorized 5,000,000 shares of preferred stock of which 4,000,000 shares were designated as \$0.001 par value "Series B Preferred Stock" with 2,073,524 shares issued and outstanding as of September 30, 2024, (ii) retired 1,000,000 shares of Series A Preferred Stock and (iii) retired 120,000 shares of Series Seed Preferred Stock.

The Company is headquartered in Carmel, Indiana. The Company specializes in the development, production, and sale of medical neuromodulation devices.

The Company has developed three FDA cleared products, the IB-STIM (DEN180057, 2019), the NSS-2 Bridge (DEN170018, 2017), and the original 510(K) clearance (K140530, 2014).

- The IB-STIM is a percutaneous electrical nerve field stimulator (PENFS) device that is indicated in patients 11-18 years of age with functional abdominal pain associated with irritable bowel syndrome. The IB-STIM currently is the only product marketed and sold by the Company.
- The NSS-2 Bridge is a percutaneous nerve field stimulator (PNFS) device indicated for use in the reduction of the symptoms of opioid withdrawal. The NSS-2 Bridge device was licensed to Masimo Corporation in April 2020, and the Company received a one-time licensing fee of \$250,000 from Masimo. Masimo markets and sells this product as its Masimo Bridge, and the Company will not receive any further licensing payments or other revenue from this product.
- The original 510(K) device was the EAD, an electroacupuncture device, now called NeuroStim. The EAD is no longer being manufactured, sold or distributed but reserved only for research purposes.

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and following the requirements of the U.S. Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. GAAP can be condensed or omitted. These interim financial statements have been prepared on the same basis as the Company's annual financial statements and, in the opinion of management, reflect all adjustments which are necessary for a fair presentation of the Company's financial information. These unaudited interim results are not necessarily indicative of the results to be expected for the year ending December 31, 2024, or any other interim period or for any other future year. These unaudited financial statements should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 31, 2023.

## 2. Summary of Significant Accounting Policies

### Use of Estimates and Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

These significant accounting estimates or assumptions bear the risk of change due to the fact that there are uncertainties attached to these estimates or assumptions, and certain estimates or assumptions are difficult to measure or value.

Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable in relation to the financial statements taken as a whole under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Management regularly evaluates the key factors and assumptions used to develop the estimates utilizing currently available information, changes in facts and circumstances, historical experience, and reasonable assumptions. After such evaluations, if deemed appropriate, those estimates are adjusted accordingly. The Company uses estimates in accounting for, among other items, revenue recognition, allowance for credit losses, stock-based compensation, income tax provisions, excess and obsolete inventory reserve, and impairment of property and equipment, and intellectual property. Actual results could differ from those estimates.

#### Fair Value Measurements

The Company accounts for financial instruments in accordance with ASC 820, Fair Value Measurements and Disclosures ("ASC 820"). ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 – Quoted prices (unadjusted) for identical unrestricted assets or liabilities in active markets that the reporting entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities: quoted prices in markets that are not active; or financial instruments for which all significant inputs are observable or can be corroborated by observable market data, either directly or indirectly.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect that reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value require significant management judgment or estimation.

The Company's Level 1 accounts include cash, accounts receivable, accounts payable, prepaids, and other current assets. Management believes the estimated fair value of these accounts on September 30, 2024 approximate their carrying value as reflected in the balance sheets due to the short-term nature of these instruments or the use of market interest rates for debt instruments.

The Company's Level 3 accounts include warrant liabilities. Inputs to determine fair value are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including option pricing models and discounted cash flow models. The valuation techniques involve management's estimates and judgment based on unobservable inputs. The fair value estimates may not be indicative of the amounts that would be realized in a market exchange. Additionally, there may be inherent uncertainties or changes in the underlying assumptions used, which could significantly affect the current or future fair value estimates. Unobservable inputs used in the models are significant to the fair values of the assets and liabilities.

There were no transfers between any of the levels during the periods ended September 30, 2024 and December 31, 2023. In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company's assets and liabilities are also subject to nonrecurring fair value measurements. As of September 30, 2024 and December 31, 2023, the Company had no assets that were measured on a nonrecurring basis.

#### Basic and Diluted Net Income (Loss) per Share

Earnings or loss per share ("EPS") is computed by dividing net income (loss), by the weighted average number of shares of common stock outstanding during the period. Diluted EPS is computed by dividing net income (loss) by the weighted average of all potentially dilutive shares of common stock that were outstanding during the periods presented.

Basic net loss per common share is computed by dividing net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net loss per common share is determined using the weighted-average number of common shares outstanding during the period, adjusted for the dilutive effect of common stock equivalents. In periods when losses are reported, which is the case for September 30, 2024 and 2023 presented in these financial statements, the weighted-average number of common shares outstanding excludes common stock equivalents because their inclusion would be anti-dilutive.

The Company had the following potentially dilutive common stock equivalents at September 30, 2024 and 2023:

	2024	2023
Options	1,319,394	1,319,394
Pre-Funded Warrants for Common Stock	289,779	—
Warrants	1,613,217	1,788,012
Series B Preferred Stock	2,073,524	—
<b>Totals</b>	<b>5,295,914</b>	<b>3,107,406</b>

The following table presents the calculation of the basic and diluted net loss per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Numerator:</b>				
Net loss	\$ (1,755,234)	\$ (8,625,363)	\$ (6,793,596)	\$ (13,034,385)
Preferred stock dividends	(44,820)	-	(44,820)	-
	(1,800,054)	(8,625,363)	(6,838,416)	(13,034,385)
<b>Denominator:</b>				
Weighted average shares of common stock outstanding - basic and diluted	7,172,229	3,625,519	6,800,810	2,552,007
<b>Basic and diluted net loss per share</b>	<b>\$ (0.25)</b>	<b>\$ (2.38)</b>	<b>\$ (1.01)</b>	<b>\$ (5.11)</b>

#### Revenue Recognition



Neuraxis, Inc. specializes in the development, production, and sale of medical neuromodulation devices to healthcare providers primarily located in the United States. Patented and trademarked neuromodulation devices is the Company's major product line. Products are generally transferred at a point in time (rather than over time). Essentially all the Company's revenue is generated from purchase order contracts.

In accordance with FASB's ASC 606, Revenue from Contracts with Customers, ("ASC 606"), the Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to be entitled in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, it performs the following five steps:

- (i) identify the contract(s) with a customer;
- (ii) identify the performance obligations in the contract;
- (iii) determine the transaction price;
- (iv) allocate the transaction price to the performance obligations in the contract; and
- (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company applies the five-step model to contracts when it determines that it is probable it will collect substantially all the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price, after consideration of variability and constraints, if any, that is allocated to the respective performance obligation when the performance obligation is satisfied.

The Company estimates credit losses on accounts receivable by estimating expected credit losses over the contractual term of the receivable using a discounted cash flow method. When developing this estimate of expected credit losses, the Company considers all available information (past, current, and future) relevant to assessing the collectability of cash flows.

The Company offers a Patient Assistance Program for patients without insurance coverage for IB-Stim. This program extends potential self-pay discounts for IB-Stim devices, based upon household income and size.

Also, the Company offers providers an opt-in program to address adequate insurance claim payments on IB-Stim devices. This program may extend a rebate or invoice credit where the insurance payment and patient responsibility (i.e., deductible, co-payment, and/or co-insurance amounts required by the Payer) are less than the acquisition cost of the IB-Stim device. The Company recognizes revenue at such a time that collection of the amount due is assured.

The following economic factors affect the nature, amount, timing, and uncertainty of the Company's revenue and cash flows as indicated:

**Type of customer:** Based on dollar amounts of revenue, essentially all of the goods sold by the Company are sold to healthcare customers including hospitals and clinics. Sales to healthcare customers lack seasonality and have a mild correlation with economic cycles.

**Geographical location of customers:** Sales to customers located within the United States represent essentially all of the Company's sales.

**Type of contract:** Sales contracts consist of purchase order contracts that tend to be short-term (i.e., less than or equal to one year in duration).

#### Company's Performance Obligations with Customers:

##### Timing of Satisfaction

The Company typically satisfies its performance obligations as the goods are received at the customer's destination.

Goods that are shipped to customers are typically shipped FOB destination with freight prepaid by the Company. As such, ownership of goods in transit transfer to the customer when received and the Company bears the associated risks (e.g., loss, damage, delay).

Shipping and handling costs are recorded as cost of goods sold in the Statement of Operations.

#### Significant Payment Terms

Payment for goods sold by the Company is typically due after an invoice is sent to the customer, within 30 days. Invoices for goods are typically sent to customers within three calendar days of shipment. The Company does not offer discounts if the customer pays some or all of an invoiced amount prior to the due date.

None of the Company's contracts have a significant financing component.

#### Nature

Medical devices that the Company contracts to sell and transfer to customers are manufactured by one specific third-party manufacturer. The manufacturer is located within the state of Indiana. In no case does the Company act as an agent (i.e., the Company does not provide a service of arranging for another party to transfer goods to the customer).

#### Returns, Refunds, etc.

Orders may not be cancelled after shipment. Customers may return devices within 10 days of delivery if the goods are found to be defective, nonconforming, or otherwise do not meet the stated technical specifications. At the option of the customer, the Company shall either:

- Refund the price paid for any defective or nonconforming products.
- Supply and deliver to the customer replacement conforming products.
- Reimburse the customer for the cost of repairing any defective or nonconforming products.

At the time revenue is recognized, the Company estimates expected returns and excludes those amounts from revenue. The Company also maintains appropriate accounts to reflect the effects of expected returns on the Company's financial position and periodically adjusts those accounts to reflect its actual return experience.



### Going Concern

We have incurred losses since inception and have funded our operations primarily with a combination of sales, debt, and the sale of capital stock. As of September 30, 2024, we had a stockholders' deficit of \$1,793,932 and short-term outstanding borrowings of \$147,688. As of September 30, 2024, we had cash of \$260,885 and a working capital deficit of \$2,032,284.

Our future capital requirements will depend upon many factors, including progress with developing, manufacturing, and marketing our technologies, the time and costs involved in preparing, filing, prosecuting, maintaining, and enforcing patent claims and other proprietary rights, our ability to establish collaborative arrangements, marketing activities and competing technological and market developments, including regulatory changes and overall economic conditions in our target markets. Our ability to generate revenue and achieve profitability requires us to successfully market and secure purchase orders for our products from customers currently identified in our sales pipeline and to new customers as well. The primary activity that will drive all customers and revenues is the adoption of insurance coverage by commercial insurance carriers nationally, which is a top priority of the Company. These activities, including our planned research and development efforts, will require significant uses of working capital through the rest of 2024 and beyond.

Management evaluates whether there are conditions or events that raise substantial doubt about the Company's ability to continue as a going concern for a period of one year from the date the financial statements are issued.

To date, the Company has experienced operating losses and negative cash flows from operations. Management believes that increased sales and acceptance of their product by insurance providers will allow the Company to achieve profitability in the near term.

While the Company believes in the viability of its strategy to further implement its business plan and generate sufficient revenues and in its ability to raise additional funds by way of a public or private offering of its debt or equity securities, there can be no assurance that it will be able to do so on reasonable terms, or at all. The ability of the Company to continue as a going concern is dependent upon its ability to further implement its business plan and generate sufficient revenues and its ability to raise additional funds by way of a public or private offering. Neither future cash generated from operating activities, nor management's contingency plans to mitigate the risk and extend cash resources through the evaluation period, are considered probable. As a result, substantial doubt is deemed to exist about the Company's ability to continue as a going concern. As we continue to incur losses, our transition to profitability is dependent upon achieving a level of revenues adequate to support its cost structure. We may never achieve profitability, and unless and until doing so, we intend to fund future operations through additional dilutive or nondilutive financing. There can be no assurances, however, that additional funding will be available on terms acceptable to us, if at all.

The financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

### Recently Issued Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-19, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires the enhancement of income tax disclosures to provide better insight into how an entity's operations and related tax risks, planning and opportunities affect its tax rate and prospects for future cash flows. The enhanced disclosures require (i) specific categories in a tabular rate reconciliation including both amounts and percentages and (ii) additional information for reconciling items and income tax paid that meet a quantitative threshold. Public business entities are required to adopt the standard for annual periods beginning after December 15, 2024. All other entities are required to adopt the standard for annual periods beginning after December 15, 2025. The adoption of the standard is not expected to have a material impact on the Company's financial statements.

### 3. Related Party Transactions

The Company has two demand notes receivable from shareholders related to the sale of common stock on January 1, 2016. Both notes' initial balances were \$506,400, with interest calculated monthly based on applicable federal rates. No payments have been received on the notes. Since repayment is not assured, the Company provided an allowance for the entire balance of principal and interest as of December 31, 2019. The current allowance is \$1,012,800 as of September 30, 2024. The current loan balances are as follows:

	Loan Receivable	Interest Receivable	Interest Income
<b>September 30, 2024</b>			
Shareholder 1	\$ 506,400	\$ 89,124	\$ 18,186
Shareholder 2	506,400	88,990	18,186
	1,012,800	178,114	36,372
Allowance for Collection Risk	(1,012,800)	(178,114)	(36,372)
Net Balance	\$ —	\$ —	\$ —

	Loan Receivable	Interest Receivable	Interest Income
<b>December 31, 2023</b>			
Shareholder 1	\$ 506,400	\$ 70,938	\$ 23,867
Shareholder 2	506,400	70,803	23,867
	1,012,800	141,741	47,734
Allowance for Collection Risk	(1,012,800)	(141,741)	(47,734)
Net Balance	\$ —	\$ —	\$ —

Mr. Bradley Mitch Watkins, Director, provided certain sales, marketing and commercialization consulting services to the Company prior to his appointment to the Board of Directors. For the nine months ended September 30, 2024 and 2023, the Company paid Mr. Watkins \$0 and \$10,000, respectively, for these services. No amounts were owed to Mr. Watkins as of September 30, 2024 and December 31, 2023, respectively, for these services.

The Company's former Chief Financial Officer is contracted for services through a third-party public accounting firm. He is the firm's managing partner and majority shareholder. The firm is engaged by the Company to provide accounting and tax services on a continuous basis. Fees paid for services were \$148,106 and \$304,158 for the nine months ended September 30, 2024 and 2023, respectively. The Company owed the firm for open invoices of \$50,808 and \$84,279 that are included in accounts payable as of September 30, 2024 and December 31, 2023, respectively.

#### 4. Notes Payable

The Company borrowed \$250,000 on December 16, 2021, from Channel Partners Capital. The note called for 65 weekly payments of \$ 4,923 with the final payment scheduled for March 16, 2023. The note's interest rate computes to a nominal rate of 40.9%. The principal outstanding as of January 1, 2022 was \$244,048. The Company borrowed \$122,000 on September 16, 2022, to bring the principal balance back to \$ 250,000. After making scheduled payments, the Company borrowed \$107,231 on May 24, 2023, to bring the principal balance back to \$ 250,000. The terms of the note are the same as the previous note with the final payment made on August 22, 2024. The principal outstanding as of September 30, 2024 and December 31, 2023 was zero and \$148,062, respectively. The Company believes that the advancement of additional funds is a minor modification to the terms of the existing loan since the difference in present value of the cash flows under the terms of the new loan is less than 10% of the present value of the remaining cash flows under the terms of the original loan. As a result, the modification was accounted for as a modification of debt.

The lender was granted and assigned a continuing security interest in all the Company's personal property assets including, but not limited to, business equipment, inventory, accounts, accounts receivable, intellectual property, chattel paper, instruments, deposit accounts, commercial tort claims, contract rights, licenses, claims, and general intangibles.

On November 8, 2023, the Company entered into a Securities Purchase Agreement ("SPA") with a shareholder for the issuance 1,260,504 shares of Series B Convertible Preferred Stock, par value \$0.001 per share (the "Series B Preferred Stock"), for an aggregate purchase price of \$ 3,000,000 paid in 15 monthly installments of \$200,000 each, commencing on the later of January 10, 2024 or a date after stockholders approve an amendment to the Company's Certificate of Incorporation to authorize the creation of the Series B Preferred Stock (the "Stockholder Approval"). The Series B Preferred Stock is convertible at any time into shares of common stock of the Company without any further consideration. Following the issuance of the Series B Preferred Stock, it will rank senior to the common stock with respect to payments upon the liquidation, dissolution and winding up of the Company. Due to a delay in Stockholder Approval, the Company amended the SPA on February 12, 2024 to issue a promissory note, due and payable on the earlier of 15 months or 12 months if the Series B Preferred Stock has not been authorized, convertible into Series B Preferred Stock with identical funding amounts and terms.

In February and March of 2024, the Company entered into a series of convertible promissory notes totaling \$ 3,135,000 with terms identical to the \$3,000,000 convertible promissory note issued on February 12, 2024 (collectively referred to as the "Original 2024 Convertible Promissory Notes").

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14

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The 2024 Original Convertible Promissory Notes bear interest at 8.5% per annum payable quarterly in either cash or common stock at the election of the Company. At any time following the date of shareholder approval to authorize the creation of Series B Preferred Stock prior to the maturity date, the investor may elect to convert all or part of the principal into the Company's Series B Preferred Stock at a conversion price per share equal to \$2.38. Without limiting the foregoing, all principal amounts outstanding on the maturity date will automatically convert into the Company's Series B Preferred Stock. The Series B Preferred Stock is entitled to cumulative dividends at 8.5% per annum (whether or not declared) payable quarterly in either cash or common stock at the \$2.38 conversion price at the election of the Company. Upon conversion to Series B Preferred Stock, the investor may elect, at its option at any time, to convert all or part of the Series B Preferred Stock plus accrued but unpaid dividends into an equivalent amount of common stock at the \$2.38 conversion price. As of September 30, 2024, no investor has converted any portion of the Original 2024 Convertible Notes into Series B Preferred Stock as the shareholders have not yet authorized its issuance.

On May 21, 2024, the Company entered into three convertible promissory notes with related institutional accredited investors with terms similar to the Original 2024 Convertible Promissory Notes (collectively referred to as the "Amended 2024 Convertible Promissory Notes") for an additional amount of \$3,000,000. Certain provisions to the SPA and Certificate of Designation previously issued on February 12, 2024 changed, including (i) the number of shares of preferred stock to be designated as Series B Preferred Stock was increased from 1,500,000 to 5,000,000, (ii) the stated value of the Series B Preferred Stock was changed from \$1.00 to \$2.38 per share, (iii) the right to receive dividends will expire automatically on June 30, 2025, (iv) the liquidation rights will automatically expire on June 30, 2025, and (v) the number of shares of the common stock that a holder of Series B preferred stock is entitled to receive shall not exceed the maximum percentage chosen by the holder, which is initially set at between 4.99% and 19.99% until shareholder approval is obtained, of the number of outstanding shares of the common stock at the time of the conversion of the Series B preferred stock shares.

The maturity date shall be on the earlier of (i) June 21, 2025, (ii) upon written demand occurring on or after March 21, 2025 in the event that the Series B preferred shares have not been duly authorized on or before such date, or (iii) immediately upon the occurrence of an event of default. Automatic conversion into shares of Series B preferred stock (at a conversion price of \$2.38 per share) will occur following the date of shareholder approval. In the event the Company fails to obtain shareholder approval before August 15, 2024, rights exist to convert the outstanding amount into shares of the common stock, at a price per share of \$2.38.

As of August 15, 2024, the Company received \$ 4,935,000 of the principal amount of the Amended 2024 Convertible Notes with the remainder due in monthly installments through March of 2025. On August 15, 2024, the Company's shareholders authorized 5,000,000 shares of preferred stock of which 4,000,000 shares were designated as \$0.001 par value Series B preferred stock. Pursuant to the Amended 2024 Convertible Promissory Notes, the outstanding principal balance of \$4,935,000 was mandatorily converted into 2,073,524 Series B Preferred Shares at a conversion price of \$ 2.38.

On August 9, 2024, the Company entered into a promissory note to finance the premiums on its annual directors and officers insurance policy, bearing interest at a rate of 7.40% per annum and maturing on June 9, 2025. The outstanding balance of \$ 166,149 consisted of a \$147,688 note payable and \$18,461 in accounts payable on the condensed balance sheets as of September 30, 2024.

The Company's private placement agent fees included (i) 10% of the Original 2024 Convertible Promissory Notes funded principal amount and (ii) warrants calculated as 6.0% of the funded principal amount divided by the \$2.38 exercise price. The fair value of the warrants of \$97,465 were deferred as a financing fee and classified as additional paid in capital. The private placement agreement was terminated on March 18, 2024 pursuant to an new advisory agreement (See Note 12).

Accrued interest totaled \$66,648 and \$66,648 as of September 30, 2024 and December 31, 2023, respectively. Interest expense totaled \$ 64,676 and \$102,628 for the three months ended September 30, 2024 and 2023, respectively, and \$ 171,934 and \$453,869 for the nine months ended September 30, 2024 and 2023, respectively. Amortization of the debt discount on the Amended 2024 Convertible Notes totaled \$ 40,888 and \$126,387 for the three and nine months ended September 30, 2024, respectively. Upon mandatory conversion of the Amended 2024 Convertible Promissory Notes to Series B Preferred Stock, the Company wrote off the amortized debt discount of \$165,577 to additional paid in capital included in stockholder's deficit on the condensed balance sheet.

#### 5. Leases

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present in the arrangement. Leases with a term greater than one year are recognized on the balance sheet as right-of-use assets and current and non-current lease liabilities, as applicable.

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15

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Operating lease liabilities and their corresponding right-of-use assets are initially recorded based on the present value of lease payments over the expected remaining lease term. Certain adjustments to the right-of-use asset may be required for items such as incentives received. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rate to discount lease payments, which reflects the fixed rate at which the Company could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment. Prospectively, the Company will adjust the right-of-use assets for straight-line rent expense, or any incentives received and remeasure the lease liability at the net present value using the same incremental borrowing rate that was in effect as of the lease commencement or transition date. The Company has elected not to recognize leases with an original term of one year or less on the balance sheet. The Company typically only includes an initial lease term in its assessment of a lease arrangement. Options to renew a lease are not included in the Company's assessment unless there is reasonable certainty that the Company will renew. Certain leases may contain rent escalation clauses, either fixed or adjusted periodically for inflation of market rates, that are factored into the calculation of lease payments to the extent they are fixed and determinable at lease inception. The Company also has variable lease payments that do not depend on a rate or index, primarily for items such as common area maintenance and real estate taxes, which are recorded as expenses when incurred.

Assumptions made by the Company at the commencement date are re-evaluated upon occurrence of certain events, including a lease modification. A lease modification results in a separate contract when the modification grants the lessee an additional right of use not included in the original lease and when lease payments increase commensurate with the standalone price for the additional right of use. When a lease modification results in a separate contract, it is accounted for in the same manner as a new lease.

Entities may elect not to separate lease and non-lease components. The Company has elected to account for lease and non-lease components together as a single lease component for all underlying assets and allocate all the contract consideration to the lease component only.

The Company's leases are comprised of operating leases for office space. At the inception of the lease, the Company determines whether the lease contract conveys the right to control the use of identified property for a period of time in exchange for consideration. Leases are classified as operating or finance leases at the commencement date of the lease. Operating leases are recorded as operating lease right-of-use assets, other current liabilities, and operating lease liabilities in the Balance Sheets. The Company did not have any finance leases as of September 30, 2024 and December 31, 2023.

The Company has two leases primarily consisting of office space in Versailles and Carmel, Indiana. The lease in Versailles started January 1, 2022 and has a term of one year, with automatic one year renewal, unless 60 day notice of vacating is given, commencing on the execution hereof and continuing through December 31<sup>st</sup> of each year. The current monthly lease payment for this lease is \$ 1,800 with a 4% per annum increase. The new lease in Carmel started January 1, 2024. The initial term is five years and five months. The monthly lease payment started at \$6,721 with an annual increase of 2.5%. As long as the Company is not in default, it is only obligated to pay an amount equal to 50% of the monthly base rent for months 1-10.

For the nine months ended September 30, 2024 and 2023, the Company recognized \$ 74,314 and \$35,678 of operating lease expense, including short-term lease expense and variable lease costs.

16

The following table presents information related to the Company's operating leases:

	September 30, 2024	December 31, 2023
Operating lease right-of-use assets	\$ 297,842	\$ 70,263
Other current liabilities	56,387	49,127
Operating lease liabilities	273,075	27,071
	<u>\$ 329,462</u>	<u>\$ 76,198</u>
Weighted-average remaining lease term (in years)	4.35	3.75
Weighted-average discount rate	15.0%	15.0%

As of September 30, 2024, the maturities of the Company's operating lease liabilities were as follows:

2024	\$ 22,203
2025	105,130
2026	108,106
2027	86,856
2028	89,027
Thereafter	38,025
Total lease payments	<u>449,347</u>
Less: imputed interest	<u>(119,885)</u>
Total present value of lease payments	<u>\$ 329,462</u>

## 6. Common Stock and Warrants

The Company authorized 100,000,000 shares of common stock, of which 6,980,227 and 6,508,897 shares were issued and outstanding as of September 30, 2024 and December 31, 2023, respectively. In conjunction with 1,098,667 common shares issued upon the completion of the initial public offering on August 8, 2023, the Company also issued (i) 1,244,228 common shares upon conversion of 506,637 shares of Convertible Series A Preferred Stock and 115,477 shares of Convertible Series Seed Preferred Stock, (ii) 1,649,900 common shares upon conversion of convertible notes, (iii) 425,000 common shares as payment to vendors for services and (iv) 127,780 common shares upon the exercise of warrants.

On January 10, 2023, the Company's board of directors authorized a 2-for-1 reverse stock split. All share information in these financial statements has been adjusted for this reverse stock split.

### Common Stock Issuances

On January 2, 2024, the Company issued 75,000 shares of common stock with a fair value of \$ 200,250 pursuant to a consulting agreement related to the Company's transition to a public company. As the term of the consulting agreement covers the full fiscal year ending December 31, 2024, the Company expensed \$50,062 and \$100,125 in the three month and nine months ended September 30, 2024, respectively, with the remaining \$ 50,063 recorded in prepaids and other current assets in the condensed balance sheets as of September 30, 2024.

On January 19, 2024, the Company received proceeds of \$26,180 from an existing shareholder and issued 11,000 shares of common stock upon the exercise of a warrant agreement at \$2.38 per share.

17

On April 11, 2024, the Company issued 53,063 shares of common stock to an existing shareholder to settle a convertible note dispute. The Company recorded the fair value of the settlement totaling \$230,823 as financing charge in the condensed statements of operations.

On June 28, 2024 the Company issued 90,032 shares of common stock to pre-IPO Series A Preferred Shareholders to settle certain claims. The Company recorded the fair value of the settlement totaling \$286,458 as other expense in the condensed statements of operations.

On June 28, 2024, the Company issued 33,454 shares of common stock to holders of the Amended 2024 Convertible Promissory Notes in lieu of \$79,588 in cash payments for interest through June 30, 2024.

On June 28, 2024, the Company issued 24,343 shares of common stock to its Board of Directors for their service from the Company's IPO on August 9, 2023 through March 31, 2024. The fair value of the services was recorded as general and administrative expense in the condensed statements of operations totaling \$39,452 from August 9, 2023 through December 31, 2023 and \$ 28,219 during the nine months ended September 30, 2024.

On June 28, 2024, the Company issued 25,832 shares of common stock to its previous Chief Operating Officer in accordance with a severance agreement executed on April 10, 2024. The Company recorded the fair value of the severance provision totaling \$78,788 as general and administrative expense in the condensed statements of operations.

On June 28, 2024, the Company issued 20,000 shares of common stock to its previous CFO for services provided during the IPO. The Company recorded the fair value of the services totaling \$55,600 as general and administrative expense in the condensed statements of operations.

On August 22, 2024, the Company issued 25,601 shares of common stock to holders of the Amended 2024 Convertible Promissory Notes in lieu of \$60,911 in cash payments for interest through August 22, 2024.

On August 28, 2024 the Company issued 102,860 shares of common stock to pre-IPO Series A Preferred Shareholders to settle certain claims. The Company recorded the fair value of the settlement totaling \$293,791 as other expense in the condensed statements of operations.

On September 17, 2024, the Company issued 10,145 shares of common stock to a vendor pursuant to a marketing agreement. The Company recorded the fair value of services totaling \$30,131 as general and administrative expense in the condensed statements of operations.

#### **Warrant Issuances**

In connection with a bridge loan, the Company issued a warrant on September 18, 2018 that allows the holder to purchase common stock from the Company at a share price of \$4.38 per share. The number of shares was based on a formula tied to the final amount of loans made by the holder of \$375,000, multiplied by 150%, and divided by \$70.03. The number of shares based on this formula is 12,852. The warrant contains certain rights in the event of liquidation, merger, or consolidation of the Company. If the fair market value of one share is greater than the warrant price, the holder may elect to receive a number of shares equal to the value of the warrant. If the exercise is in connection with the sale of the Company, the holder may, at its option, condition its exercise of the warrant upon the consummation of such transaction. The warrant expires on September 18, 2028 and can be exercisable either in whole or from time to time in part prior to the expiration date.

The Company issued a second warrant on September 6, 2019, under similar terms but is a penny warrant that allows the holder to purchase 40,000 shares of common stock and is subject to adjustment for certain equity events. The warrant contains certain rights in the event of liquidation, merger, or consolidation of the Company. The warrant expires on September 6, 2029. This warrant was converted to 39,924 shares of common stock on December 28, 2023. The fair market value of the stock on that day was calculated as the average of the daily closing prices per share for the 30 consecutive trading day period ending on the second trading day prior to such date or \$2.61 per share. Since the fair value was greater than the warrant price of \$0.01 per share the holder elected to receive the number of shares equal to 40,000 times the difference between the fair market value and the exercise price divided by the fair market value, resulting in 39,924.

The Company issued a third warrant to Masimo Corporation on April 9, 2020. This warrant was pre-funded in the amount of \$ 2,734,340. The warrant allows the holder to purchase 289,779 shares of Series A Preferred Stock at \$ 9.44 per share and is subject to adjustment for certain equity events. The warrant contains certain rights in the event of liquidation, merger, or consolidation of the Company. There will be no additional purchase price for the Warrants. In the event that all outstanding shares of Series A Preferred Stock are converted, automatically or by action of the holders thereof, into Common Stock, including, without limitation, in connection with the Company's initial, underwritten public offering and sale of its Common Stock pursuant to an effective registration statement under the Act, then from and after the date on which all outstanding shares of Series A Preferred Stock have been so converted, this Warrant shall be exercisable for such number of shares of Common Stock into which the Warrant Shares would have been converted had the Warrant Shares been outstanding on the date of such conversion, and the Exercise Price shall equal the Exercise Price in effect as of immediately prior to such conversion divided by the number of shares of Common Stock into which one share of Series A Preferred Stock would have been converted, all subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant. On August 14, 2023, the 144,890 Series A Preferred Stock warrants were converted to 289,779 common stock warrants.

During 2022, the Company issued 793,655 five-year warrants to purchase common stock equal to one hundred percent (100%) of the shares into which the 2022 convertible notes can be converted at issuance. The 2024 Convertible Promissory Notes triggered the anti-dilution clause of the original agreement and decreased the exercise price to \$2.38.

From March to June of 2023, the Company issued 505,570 one-year warrants to purchase common stock equal to fifty percent (50%) of the shares into which the 2023 convertible notes can be converted at issuance. The warrants have an exercise price of \$5.25 per share. The 2024 Convertible Promissory Notes triggered the anti-dilution clause of the original agreement and decreased the exercise price to \$2.38.

On August 9, 2023, the Company issued 122,202 five-year warrants to purchase common stock pursuant to an advisory agreement with a consulting firm upon closing of the Company's initial public offering. The warrants have an exercise price of \$6.00 per share. The 2024 Convertible Promissory Notes triggered the anti-dilution clause of the original agreement and decreased the exercise price to \$2.38.

On August 14, 2023, the Company issued 186,156 five-year warrants to purchase common stock pursuant to an agreement with an underwriter upon closing of the Company's initial public offering. The warrants have an exercise price of \$7.20 per share. The 2024 Convertible Promissory Notes triggered the anti-dilution clause of the original agreement and decreased the exercise price to \$2.38.

From January to March of 2024, the Company issued 38,697 warrants to its private placement agent in conjunction with the 2024 Convertible Promissory Notes at an exercise price of \$2.38 to purchase common stock. The Company recorded the fair value of the services totaling \$ 74,278 as financing fees in the condensed balance sheets as of September 30, 2024.

From March to September of 2024, the Company issued 52,941 warrants pursuant to a capital markets advisory agreement at an exercise price of \$ 2.38 to purchase common stock (See Note 12). The Company recorded the fair value of the advisory services totaling \$125,824 as general and administrative

expense in the condensed statements of operations.

19

The following is a summary of warrant activity for common stock during the periods ended September 30, 2024 and December 31, 2023:

	Number of Warrants for Common Stock	Weighted-Avg. Exercise Price	Weighted-Avg. Remaining Contractual Life
<b>Outstanding as of January 1, 2023</b>	846,507	\$ 5.06	4.72
Granted	813,928	5.81	4.38
Converted Prefunded Warrants	289,779	0.01	—
Exercised	(127,856)	2.38	—
<b>Outstanding as of December 31, 2023</b>	1,822,358	\$ 4.69	3.05
Granted	91,638	\$ 2.38	4.60
Exercised	(11,000)	2.38	—
<b>Outstanding as of September 30, 2024</b>	1,902,996	\$ 2.38	2.81

The following is a summary of warrant activity for preferred stock during the year ended December 31, 2023:

	Number of Warrants for Preferred Stock	Weighted-Avg. Exercise Price
<b>Outstanding as of January 1, 2023</b>	144,890	\$ 0.01
Granted	—	—
Cancelled/Expired	—	—
Exercised	(144,890)	(0.01)
<b>Outstanding as of December 31, 2023</b>	—	\$ —

There was no preferred stock warrant activity for the three and nine months ended September 30, 2024.

The following table summarizes the Company's warrants outstanding and exercisable as of September 30, 2024:

	Number of Warrants Outstanding	Exercise Price	Expiration Date
Brian Hannasch W-01	12,852	\$ 8.76	September 18, 2028
Masimo Corporation PSA-01	289,779	\$ 0.01	None
2022 Convertible Notes	793,655	\$ 2.38	Various
2023 Convertible Notes	537,949	\$ 2.38	Various
Consulting Agreement Warrants	202,840	\$ 2.38	Various
Underwriter's Warrants	65,921	\$ 2.38	August 8, 2028
	<u>1,902,996</u>		

20

## 7. Preferred Stock

On August 15, 2024, the Company's shareholders authorized 5,000,000 shares of preferred stock of which 4,000,000 shares were designated as \$0.001 par value Series B Preferred Stock with 2,073,524 shares issued and outstanding as of September 30, 2024. Series B Preferred Stock shareholders vote with Common Stock shareholders on an as-converted basis and not as a separate class. Cumulative dividends accrue at 8.5% per annum and are due and payable in either cash for common shares as the Company's discretion on a quarterly basis through June 30, 2025. Series B Preferred Stock converts to common stock on a 1:1 basis, subject to adjustments for stock dividends, splits, combinations and similar events as well as unpaid dividends thereon, solely at the election of the holder at any time.

Prior to August 15, 2024 the Company had 1,000,000 and 120,000 shares authorized as Series A and Series Seed Preferred Stock, respectively, of which zero shares are issued and outstanding for both classes of preferred stock as of December 31, 2023, respectively. The Series A and Series Seed Preferred Stock (i) voted together with common stock on an as-converted basis, and not as separate classes and (ii) converted 1:1 to common stock at any time at option of holder, subject to adjustments for stock dividends, splits, combinations, and similar events. The Series A Preferred Stock carried an annual 8% cumulative dividend, payable upon any liquidation, dissolution or winding up of the Company. For any other dividends or distributions, the Series A Preferred Stock participated with common stock on an as-converted basis. The Company's 1,000,000 shares of Series A Preferred Stock and 120,000 shares of Series Seed Preferred Stock were retired on August 15, 2024.

Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the Series B Preferred Stock shareholders maintain priority preference over all other classes of capital stock. A merger or consolidation (other than one in which stockholders of the Company own a majority by voting power of the outstanding shares of the surviving or acquiring corporation) and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company will be treated as a liquidation event, thereby triggering payment of the liquidation preferences.

As of September 30, 2024 and December 31, 2023, there were no preferred stock dividends declared or paid. Series B Preferred Stock un declared cumulative dividends totaled \$44,820 and \$0 as of September 30, 2024 and December 31, 2023, respectively.

21

## 8. Stock Options and Awards

The following is a summary of stock option activity for the periods ended September 30, 2024 and December 31, 2023:

Weighted

	Number of Options	Avg. Remaining Contractual Life (in years)	Weighted Avg. Exercise Price	Aggregate Intrinsic Value
<b>Outstanding as of January 1, 2023</b>	1,319,394	6.69	\$ 6.94	\$ —
Granted	—	—	—	—
Forfeited	—	—	—	—
Cancelled/Expired	—	—	—	—
Exercised	—	—	—	—
<b>Outstanding as of December 31, 2023</b>	1,319,394	5.69	\$ 6.94	\$ —
Granted	—	—	—	—
Forfeited	—	—	—	—
Cancelled/Expired	—	—	—	—
Exercised	—	—	—	—
<b>Outstanding as of September 30, 2024</b>	1,319,394	4.94	\$ 6.94	\$ —
<b>Vested and Exercisable as of September 30, 2024</b>	1,319,394	4.94	\$ 6.94	\$ —

Stock-based compensation expense is classified in the Company's statements of operations as general and administrative expense. Compensation expense totaled \$227,000 and \$0 for the nine months ended September 30, 2024 and 2023, respectively (See Note 9). As of September 30, 2024, there was no unrecognized compensation expense related to unvested options granted under the Company's share-based compensation plans.

## 9. Share Liability

As of September 30, 2024, the Company had not issued 100,000 shares of its common stock pursuant to a hiring grant of an executive officer, representing stock compensation expense of \$227,000 in the nine months ended September 30, 2024 due to administrative delays. These shares are classified as share liabilities as they have been authorized but not yet issued as of the reporting date. On October 1, 2024, the Company amended the hiring grant and replaced the 100,000 unissued common shares with 100,000 restricted stock units that vest over three years.

## 10. Warrant Liabilities

Management evaluates all of the Company's financial instruments and contracts, including issued warrants to purchase its Class A common stock and Series B Preferred Stock, to determine if such instruments are liabilities or contain features that qualify as embedded derivatives, pursuant to ASC 480 and ASC 815-15. The classification of these financial instruments, including whether such instruments should be recorded as liabilities or as equity, is reassessed at the end of each reporting period.

The Company utilizes a Black-Scholes option-pricing model for warrants that have an option to convert at a variable number of shares to compute the fair value and to mark to market the fair value of the warrant at each balance sheet date. The inputs utilized in the application of the Black-Scholes option-pricing model included an expected remaining term of each warrant as of the valuation date, estimated volatility of 65.3%, and a risk-free rate of 3.6%.

Risk-free interest rate: The Company uses the risk-free interest rate of a U.S. Treasury Note adjusted to be on a continuous return basis to align with the Black-Scholes option-pricing model.

Dividend yield: The Company uses a 0% expected dividend yield as the Company has not paid dividends to date and does not anticipate declaring dividends in the near future.

Volatility: The Company calculates the expected volatility based on comparable company's historical stock prices with a look back period commensurate with the period to maturity.

Expected term: The Company's remaining term is based on the remaining contractual maturity of the warrants.

The following are the changes in the warrant liabilities during the periods ended September 30, 2024 and December 31, 2023.

	Level 1	Level 2	Level 3
<b>Warrant liabilities as of January 1, 2023</b>	\$ —	\$ —	\$ 2,234,384
Addition	—	—	2,446,502
Changes in fair value of warrant liabilities	—	—	(844,854)
Reclassify to equity	—	—	(3,827,807)
<b>Warrant liabilities as of December 31, 2023</b>	—	—	8,225
Changes in fair value of warrant liabilities	—	—	9,284
<b>Warrant liabilities as of March 31, 2024</b>	—	—	17,509
Changes in fair value of warrant liabilities	—	—	(7,576)
<b>Warrant liabilities as of June 30, 2024</b>	—	—	9,933
Changes in fair value of warrant liabilities	—	—	6,726
<b>Warrant liabilities as of September 30, 2024</b>	\$ —	\$ —	\$ 16,659

## 11. Derivative Liabilities

The Company accounts for derivative financial instruments as either equity or liabilities in accordance with ASC Topic 815, *Derivatives and Hedging*, or ASC 815, based on the characteristics and provisions of each instrument. Embedded derivatives are required to be bifurcated from the host instruments and recorded at fair value if the derivatives are not clearly and closely related to the host instruments on the date of issuance. Derivative instrument liabilities are classified in the balance sheets as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

The Company identified derivative instruments arising from the conversion shares from convertible notes in Note 4 as of December 31, 2023.

The Company utilizes a Monte Carlo simulation model for commitment shares that have an option to convert at a variable number of shares to compute the fair value of the derivative and to mark to market the fair value of the derivative at each balance sheet date. The inputs utilized in the application of the Monte Carlo model included a starting stock price of \$9.20 per share, an expected remaining term of each warrant as of the valuation date, estimated volatility of 80.0%, drift, and a risk-free rate ranging from 3.5% to 5.5%.

Risk-free interest rate: The Company uses the risk-free interest rate of a U.S. Treasury Note adjusted to be on a continuous return basis to align with the



Black-Scholes option-pricing model.

Dividend yield: The Company uses a 0% expected dividend yield as the Company has not paid dividends to date and does not anticipate declaring dividends in the near future.

Volatility: The Company calculates the expected volatility based on comparable company's historical stock prices with a look back period commensurate with the period to maturity.

Expected term: The Company's remaining term is based on the remaining contractual maturity of the warrants.

The following are the changes in the derivative liabilities during the year ended December 31, 2023.

	Level 1	Level 2	Level 3
<b>Derivative liabilities as of January 1, 2023</b>	\$ —	\$ —	\$ 1,735,700
Addition	—	—	2,375,378
Changes in fair value of derivative liabilities	—	—	(198,551)
Extinguishment of derivative liabilities	—	—	(3,912,527)
<b>Derivative liabilities as of December 31, 2023</b>	\$ —	\$ —	\$ —

There was no derivative liability activity for the three and nine months ended September 30, 2024.

## 12. Commitments and Contingencies

### Manufacturing Services Agreement

On August 21, 2020, the Company entered into a Manufacturing Services Agreement (MSA) for the manufacture and supply of the Company's IB-STIM device based upon the Company's product specifications as set forth in the MSA. This agreement terminated any prior manufacturing agreements.

The Company provides the necessary equipment to the manufacturer and retains ownership. The manufacturer bears the risk of loss of and damage to the equipment and consigned materials. Performance under the MSA is initiated by orders issued by the Company and accepted by the manufacturer.

The term of the MSA is 24 months and shall automatically renew for renewal terms of twelve months unless either party provides a written termination notice to the other party within 180 days prior to the end of the then-current term.

### Advisory Agreement

On March 18, 2024, the Company terminated its private placement services agreement and entered into an advisory agreement for debt, equity and public securities market services for one year. The advisory agreement includes a monthly fee of \$30,000 and 7,563 common stock warrants to be issued monthly at an exercise price of \$2.38 with a term of five years.

### Settlement Agreements

The Company issued 102,860 and 192,892 shares of common stock for the three and nine months ended September 30, 2024, respectively, to various pre-IPO Series A Preferred Stock shareholders to settle certain claims. The Company recorded the fair value of the settlements totaling \$293,791 and \$580,249 for the three and nine months ended September 30, 2024, respectively, as other expense in the Condensed Statements of Operations (See Note 6).

Furthermore, the Company authorized the issuance of 1,518 shares of its common stock to settle remaining claims with pre-IPO Series A Preferred Stock shareholders classified as \$0 and \$4,220 of other expense for the three and nine months ended September 30, 2024, respectively, in the Condensed Statements of Operations and accrued expenses in the Condensed Balance Sheets as of September 30, 2024. These common shares have not yet been issued as of the reporting date as the Company awaits execution of the settlement agreements by the counterparties.

## Executive Employment Agreements

The Company, as authorized by the board of directors, entered into employment agreements with nine key employees to provide incentives to improve shareholder value and to contribute to the growth and financial success of the Company. The agreements had an employment start date of October 1, 2022, with initial terms from 2 to 5 years and optional one-year renewals.

The total base salaries for the nine key employees in the agreements are \$ 1,920,000 per year with various provisions for annual increases. In addition to base salaries, eight of the employees have a provision for a special one-time incentive payment to be paid in a lump sum after the start date. The total amount of these special incentive payments is \$1,100,000. The special incentive payment amount includes any accrued backpay wages for the employee. That amount for backpay was \$417,390 and was paid in 2023.

There are seven key employees that have stock options of the Company totaling 1,238,712 shares. These key employees have a provision in their agreements whereas the Company will pay a special bonus equal to the aggregate of the strike price or exercise price of all their stock options plus a tax gross-up payment. The special bonus shall be paid in twenty percent (20%) installments starting January 2, 2024, and the same date each of the next four years. As a condition of the payment, the key employee must exercise at least 20% of their stated number of stock options. There are additional provisions to cover termination and change of control events.

In April 2023, the Company amended the employee agreements to, among other things, clarify that the special one-time incentive payment and the deferred bonus are contingent upon the effective date of the planned initial public offering. The amendment also sets forth a process for executives to exercise the stock options in accordance with the terms of the stock option agreement in effect as of the date of the employment agreement and to clarify that there is no modification to the stock option agreements.

The Company has recorded the backpay portion of the incentive bonus noted above. The balance of the incentive bonuses of \$ 694,056 and the special options bonuses of \$14,821,830 were contingent upon a successful initial public offering. The incentive bonuses have been paid in full while the special options bonuses will be recorded when paid.

On April 10, 2024, the employment of the Company's Chief Operating Officer was terminated. Pursuant to the employment agreement, the Company will



(i) make salary continuation payments based on an annual salary of \$275,000 through October 10, 2024, (ii) provide health care coverage through October 10, 2025, (iii) issue 25,832 shares of common stock at a fair value of \$ 78,788 and (iv) make a \$41,980 one-time payment in lieu of the exercise of 13,764 stock options that expired on January 2, 2024.

## Litigation

From time to time in the normal course of our business operations, we may become subject to litigation that may result in liability material to our financial condition as a whole or may negatively affect our operating results if changes to our business operations are required. The cost to defend such litigation may be significant and may require a significant diversion of our resources, and there is no guarantee that we will be able to successfully defend against any such litigation regardless of particular merits. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. Insurance may not be available on favorable terms, at all, or in sufficient amounts to cover any liabilities with respect to these or other matters. A judgment or other liability in excess of our insurance coverage for any claims could adversely affect our business, financial condition and the results of our operations.

On February 6, 2019, plaintiff Ritu Bhambhani, M.D., initiated a lawsuit against Innovative Health Solutions, Inc. and others in the United States District Court for the District of Maryland. Plaintiffs Bhambhani and Sudhir Rao subsequently amended the complaint, with the Third Amended Complaint ("Complaint") containing the most recent set of allegations. The Complaint asserted claims under the RICO Act, as well as of fraudulent misrepresentation, intentional misrepresentation by concealment, and civil conspiracy and sought compensatory damages in excess of \$5 million, pre-judgment interest, punitive damages, attorney's fees, court costs and designation of the case as a class action. The Complaint states that the Company, distributors of the Company's product, and medical billing and coding consultants allegedly made misrepresentations to the plaintiffs that the Company's NeuroStim device and related procedures could be billed to, and reimbursed by, Medicare and other insurance payors as a surgically implantable neurostimulator. Plaintiffs claim to have suffered damages when Medicare administrative contractors declined to pay plaintiffs for their use of the device.

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25

On February 11, 2022, the Company filed a motion for summary judgment based upon the plaintiffs not being proper parties to assert claims against the Company. On June 14, 2022, the Court granted the Company's motion for summary judgment and dismissed the Complaint.

On July 14, 2022, plaintiffs Ritu Bhambhani and Sudhir Rao filed a notice of appeal with the Fourth Circuit Court of Appeals. The Company filed a motion to dismiss. On January 4, 2023, the Court issued an order that stated it was deferring a ruling on the motion to dismiss the appeal and that it would address those arguments at the same time that it addressed the substantive merits of the case. As of May 5, 2023, the parties have submitted their appellate briefs to the Fourth Circuit. No date has been set for either oral argument or for issuance of a decision by the court. While it is too early to predict the ultimate outcome of this matter, we continue to believe we have meritorious defenses, that the dismissal of the Complaint should be upheld, and intend to continue to defend this matter vigorously.

On July 14, 2022, plaintiffs Ritu Bhambhani, LLC; Box Hill Surgery Center, LLC; Pain and Spine Specialists of Maryland, LLC; and SimCare ASC, LLC initiated a lawsuit against the Company and others in the United States District Court for the District of Maryland. The plaintiffs in this lawsuit are business entities owned or partially owned by the plaintiffs that initiated the litigation described above. The Complaint asserted claims under the RICO Act, as well as fraudulent misrepresentation, intentional misrepresentation by concealment, and civil conspiracy and seeks compensatory damages in excess of \$75,000, pre-judgment interest, punitive damages, attorney's fees, and court costs. The Complaint states that the Company, distributors of the Company's product, and medical billing and coding consultants allegedly made misrepresentations to the plaintiffs that the Company's NeuroStim device and related procedures could be billed to, and reimbursed by, Medicare and other insurance payors as a surgically implantable neurostimulator. Plaintiffs claim to have suffered damages when Medicare administrative contractors declined to pay plaintiffs for their use of the device.

On September 28, 2022, the Company filed a motion to dismiss all claims. On May 25, 2023, the Court issued an Order and a Memorandum Opinion which dismissed the plaintiff's claims related to the RICO Act. The remaining claims are still pending, and no trial date has been set for the case.

The Court has vacated its Scheduling Order at the parties' request so that the parties could try to resolve the disputes in both cases through an independent third-party mediator. No mediation date has been set. While it is too early to predict the ultimate outcome of this matter, we believe the Company has meritorious defenses and intends to defend this matter vigorously.

## 13. Subsequent Events

On October 1, 2024, the Company granted 481,312 restricted stock units to certain employees with a three-year vesting period pursuant to the Neuraxis, Inc. 2022 Omnibus Securities and Incentive Plan, including an amendment to a hiring grant that replaced 100,000 unissued common shares with 100,000 restricted stock units included herein (see Note 9).

On October 15, 2024, the Company received \$145,000 in exchange for 60,924 shares of Series B Preferred Stock.

On November 9, 2024, the Company entered into a \$5,000,000 investment agreement with a reputable life sciences fund at terms identical to the Series B Preferred Stock Shareholders, including the extension of the expiration date of the cumulative dividends from June 30, 2025 to December 31, 2026, that replaced a \$3,200,000 reduction in committed funding from an existing investor. The transaction is expected to close mid-November.

The Company has evaluated subsequent events through the filing of this Quarterly Report on Form 10-Q and determined that there have been no events that have occurred that would require adjustments to our disclosures in the condensed financial statements.

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26

## ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited financial statements and the related notes appearing in this Quarterly Report on Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks, uncertainties, and assumptions. You should read the "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" sections of our Form 10-K for the period ended December 31, 2023 (the "2023 Annual Report") for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.*

## Overview

We are a growth stage company focused on developing neuromodulation therapies to address chronic and debilitating conditions in children. Our mission is to provide solutions that create value and provide better and safer patient outcomes. Our IB-Stim device is a PENFS system intended to be used in patients 11-18 years of age with functional abdominal pain associated with IBS. Our device already has market clearance from FDA for functional

abdominal pain associated with IBS in children. Other indications in our pipeline are comprised of functional nausea in children, post-concussion syndrome in children, and cyclic vomiting syndrome in children. For more information, see “Business—Our Pipeline” and “—Products.”

Since our inception, we have incurred significant operating losses. Our net loss was \$1,755,234 and \$8,625,363 for the three months ended September 30, 2024 and 2023, respectively, and \$6,793,596 and \$13,034,385 for the nine months ended September 30, 2024 and 2023, respectively. As of September 30, 2024, we had an accumulated deficit of \$1,793,932. Our auditors have expressed substantial doubt about our ability to continue as a going concern in their audit opinion. We expect to incur significant expenses and operating losses for the foreseeable future as we continue to pursue widespread insurance coverage of our IB-Stim device and seek FDA clearance of our device for other indications. There are a number of milestones and conditions that we must satisfy before we will be able to generate sufficient revenue to fund our operations, including FDA clearance of our IB-Stim device to treat future indications.

## Factors Affecting our Business and Results of Operations

### Revenue

Our revenue is derived from the sale of our IB-Stim device to healthcare companies, primarily hospitals and clinics. Sales generally are not seasonal and only mildly correlated with economic cycles. Our IB-Stim device sells for \$1,195 per device, and each child being treated for functional abdominal pain associated with IBS will use three to four devices. Potential patients with future indications are expected to use six or more devices per patient.

Our sales typically are made on a purchase order basis rather than through long-term purchase commitments. We enter into sales agreements with customers for IB-Stim devices based on purchase orders and standard terms, which vary slightly based on the customer's form, and conditions of sale. Standard payment terms generally are that payment is due within 30 days.

Inflation did not have a material impact on our operations for any applicable period, and we do not expect inflation to have a material impact on our operations for the foreseeable future.

### Gross Profit and Gross Margin

Our management uses gross profit and gross margin to evaluate the efficiency of operations and as a key component to determining the effectiveness and allocation of resources. We calculate gross profit as net sales less cost of goods sold, and gross margin as gross profit divided by net sales. Our gross margin has been and will continue to be affected by a variety of factors, primarily the average selling price of our IB-Stim device, production volume, order flows, change in mix of customers, third-party manufacturing costs related to components of our IB-Stim device, and cost-reduction strategies. We expect our gross profit to increase for the foreseeable future as our net sales grows, both through broader insurer acceptance of our IB-Stim device in the near term and approval of our technology for the treatment of other indications over the longer term. Our gross margin may fluctuate from quarter to quarter due to changes in average selling prices, particularly as we introduce enhancements to our IB-Stim device and new products to address other indications, and as we adopt new manufacturing processes and technologies.

### Expenses

We have four categories of expenses: cost of goods sold, selling, research and development, and general and administrative.

Costs of goods sold consist of costs paid for the IB-Stim device to our contract manufacturer along with shipping and handling costs and expired inventory charges. Expired inventory expense is related to our FDA clearance for our device in the treatment of functional abdominal pain associated with IBS in children. Specifically, a certain component of our IB-Stim device is cleared for a two-year period after the date the device is manufactured, and if the device is not sold in such period, we must take the device out of inventory and write it off. We had no expired inventory for the three and nine months ended September 30, 2024 and 2023. Expired inventory has not been material to our results. We have a fixed-price contract with the manufacturer of our IB-Stim device to produce the device. We expect production costs to remain relatively constant and only nominal inventory expirations in the foreseeable future.

Our core selling expenses primarily consist of commissions.

Research and development expense is attributable to our clinical trials and related efforts to have our IB-Stim device cleared by the FDA for other indications. We expect to incur future R&D expenses for other indications, such as functional nausea, post-concussion syndrome and cyclic vomiting syndrome in children.

General and administrative expense primarily consists of wages and benefits, professional fees including legal and audit, insurance, investor relations, advertising, facility costs, utilities and travel.

## Results of Operations

The following table presents our statements of operations for the three and nine months ended September 30, 2024 and 2023, respectively:

	(Unaudited)		(Unaudited)	
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales	\$ 666,625	\$ 477,460	\$ 1,924,760	\$ 1,928,590
Cost of goods sold	97,050	67,287	256,949	231,000
Gross profit	569,575	410,173	1,667,811	1,697,590
Selling expenses	95,430	64,210	226,374	250,933
Research and development	72,422	44,950	132,304	171,536
General and administrative	2,052,996	3,323,352	6,999,358	6,316,411
Operating loss	(1,651,273)	(3,022,339)	(5,690,225)	(5,041,290)
Other (expense) income:				
Financing charges	-	-	(230,824)	(2,772)
Interest expense, net	(64,676)	(100,525)	(171,934)	(451,766)
Change in fair value of warrant liability	(6,726)	592,853	(8,434)	791,610
Change in fair value of derivative financial instruments	-	6,394	-	198,551
Amortization of debt discount and issuance costs	(40,888)	(1,331,030)	(126,387)	(4,881,622)
Extinguishment of debt liabilities	-	(4,779,069)	-	(3,649,571)
Other income	17,072	9,931	20,032	11,483

Other expense	(8,743)	(1,578)	(585,824)	(9,008)
Total other (expense) income, net	(103,961)	(5,603,024)	(1,103,371)	(7,993,095)
Net loss	<u>\$ (1,755,234)</u>	<u>\$ (8,625,363)</u>	<u>\$ (6,793,596)</u>	<u>\$ (13,034,385)</u>

### Net Sales

Net sales increased \$189,165, or 39.6%, from \$477,460 for the three months ended September 30, 2023, to \$666,625 for the three months ended September 30, 2024. Net sales decreased \$3,830, or 0.2%, from \$1,928,590 for the nine months ended September 30, 2023, to \$1,924,760 for the nine months ended September 30, 2024. The increase for the three months ended September 30, 2024 was primarily due to volume growth from new and existing full insurance reimbursement customers as well as growth in our financial assistance programs that provide discounts to patients without insurance coverage.

### Gross Profit and Gross Margin

Gross profit increased \$159,402, or 38.9%, from \$410,173 for the three months ended September 30, 2023, to \$569,575 for the three months ended September 30, 2024 due to higher sales volume. Despite the increase in sales volume, the decrease in gross margin from 85.9% for the three months ended September 30, 2023 to 85.4% for the three months ended September 30, 2024 was due to higher growth in the Company's financial assistance programs that are discounted to patients without insurance coverage compared to the Company's undiscounted full reimbursement customers. Gross profit decreased \$29,779, or 1.8%, from \$1,697,590 for the nine months ended September 30, 2023, to \$1,667,811 for the nine months ended September 30, 2024 due to gross margin. The decrease in gross margin from 88.0% for the nine months ended September 30, 2023 to 86.7% for the nine months ended September 30, 2024 was due to growth in our financial assistance programs that are discounted to patients without insurance coverage despite higher sales volume.

### Selling Expenses

Selling expenses increased \$31,220, or 48.6%, from \$64,210 for the three months ended September 30, 2023, to \$95,430 for the three months ended September 30, 2024 due to higher sales volume. Selling expenses decreased \$24,559, or 9.8%, from \$250,933 for the nine months ended September 30, 2023, to \$226,374 for the nine months ended September 30, 2024 due to lower sales volume.

### Research and Development

Research and development expenses increased \$27,472, or 61.1%, from \$44,950 for the three months ended September 30, 2023, to \$72,422 for the three months ended September 30, 2024 due to higher quarter-to-date spending in 2024 on a medical research project. Research and development expenses decreased \$39,232, or 22.9%, from \$171,536 for the nine months ended September 30, 2023 to \$132,304 for the nine months ended September 30, 2024 due to higher year-to-date spending in 2023 on a medical research project.

### General and Administrative

General and administrative expenses decreased \$1,270,356, or 38.2%, from \$3,323,352 for the three months ended September 30, 2023, to \$2,052,996 for the three months ended September 30, 2024 primarily due to 2023 post-IPO consulting and recruiting services and the payment of incentive bonuses relating to the 2023 IPO that did not recur in 2024, partially offset by (i) incremental headcount to build out the market access, sales and finance teams including, (ii) 2024 one-time non-cash advisory costs, (iii) expenses related to the introduction of an annual short-term incentive bonus plan in 2024 and (iv) higher advertising costs in order to expand market awareness.

General and administrative expenses increased \$682,947, or 10.8%, from \$6,316,411 for the nine months ended September 30, 2023, to \$6,999,358 for the nine months ended September 30, 2024 primarily due to (i) higher legal, insurance, investor relation, board of director and exchange listing costs as a publicly held entity that the Company did not incur prior to its IPO, (ii) incremental headcount to build out the market access, sales and finance teams, (iii) severance charges related to the Company's prior Chief Operating Officer, (iv) one-time non-cash advisory costs, (v) a one-time non-cash stock compensation charge of \$227,000 as a hiring grant, (vi) expenses related to the introduction of an annual short-term incentive bonus program, and (vii) higher advertising costs in order to expand market awareness, partially offset by non-recurrence of 2023 post-IPO consulting and recruiting services and the payment of incentive bonuses relating to the 2023 IPO.

### Operating Loss

Our operating loss decreased \$1,371,066, or 45.4%, from \$3,022,339 for the three months ended September 30, 2023, to \$1,651,273 for the three months ended September 30, 2024 primarily due to the absence of 2023 post-IPO consulting and recruiting services, 2023 incentive bonuses relating to the IPO and higher sales and gross profit in 2024, partially offset by incremental headcount, advisory costs, a new annual short-term incentive bonus plan and higher advertising costs in 2024. Our operating loss increased \$648,935, or 12.9%, from \$5,041,290 for the nine months ended September 30, 2023, to \$5,690,225 for the nine months ended September 30, 2024 primarily due to new costs as a publicly held company that were not incurred prior to the 2023 IPO.

### Other (Expense) Income, Net

Other expense decreased \$5,499,063, or 98.1%, from \$5,603,024 for the three months ended September 30, 2023, to \$103,961 for the three months ended September 30, 2024 primarily due to the full conversion of the convertible notes upon the IPO on August 9, 2023, that eliminated any further debt discount, issuance cost and fair value derivative valuation net charges and lower interest expense and issuance cost amortization from a lower debt burden in 2024.

Other expense decreased \$6,889,724, or 86.2%, from \$7,993,095 for the nine months ended September 30, 2023, to \$1,103,371 for the nine months ended September 30, 2024 primarily due to the full conversion of the convertible notes upon the IPO on August 9, 2023, that eliminated any further debt discount, issuance cost, debt extinguishment and fair value derivative valuation net charges and lower interest expense and issuance cost amortization from a lower debt burden in 2024, partially offset by financing charges incurred to settle a 2023 convertible note dispute and other expense to settle certain claims of pre-IPO Series A Preferred Stock shareholders.

### Net Loss

Our net loss decreased \$6,870,129, or 79.7%, from \$8,625,363 for the three months ended September 30, 2023, to \$1,755,234 for the three months ended September 30, 2024. Our net loss decreased \$6,240,789, or 47.9%, from \$13,034,385 for the nine months ended September 30, 2023, to \$6,793,596 for the nine months ended September 30, 2024. The decreases were primarily due to (i) higher sales for the three months ended September 30, 2024 compared to the three months ended September 30, 2023, (ii) lower general and administrative expenses due to the absence of 2023 post-IPO consulting and recruiting services and the payment of incentive bonuses relating to the 2023 IPO, (iii) the elimination of debt discount, issuance cost and fair value derivative valuation net charges as a result of the conversion of notes upon the 2023 IPO and (iv) lower interest expense and issuance cost

amortization from a lower debt burden in 2024, partially offset by financing charges incurred to settle a 2023 convertible note dispute and other expense to settle certain claims of pre-IPO Series A Preferred Stock shareholders.

## Liquidity and Capital Resources

We had cash on hand of \$260,885 and \$761,249 as of September 30, 2024 and 2023, respectively. We maintained a working capital deficit of \$2,032,284 and \$1,643,058 as of September 30, 2024 and December 31, 2023, respectively. The decrease in working capital was primarily due to the unpaid severance, annual bonus and consulting fees that were not incurred in 2023.

We have incurred losses since inception and have funded our operations primarily with a combination of sales, debt, and the sale of capital stock. As of September 30, 2024, we had an accumulated deficit of \$1,793,932 and short-term borrowings of \$147,688.

Our future capital requirements will depend upon many factors, including progress with developing, manufacturing, and marketing our technologies, the time and costs involved in preparing, filing, prosecuting, maintaining, and enforcing patent claims and other proprietary rights, our ability to establish collaborative arrangements, marketing activities and competing technological and market developments, including regulatory changes and overall economic conditions in our target markets. Our ability to generate revenue and achieve profitability requires us to successfully market and secure purchase orders for our products from customers currently identified in our sales pipeline and to new customers as well. The primary activity that will drive all customers and revenues is the adoption of insurance coverage by commercial insurance carriers nationally, so this is a top priority of the Company. These activities, including our planned research and development efforts, will require significant uses of working capital through the rest of 2024 and beyond.

Additionally, we have to meet all the financial disclosure and reporting requirements associated with being a publicly reporting company. Our management will have to spend additional time on policies and procedures to make sure it is compliant with various regulatory requirements, especially that of Section 404 of the Sarbanes-Oxley Act. This additional corporate governance time required of management could limit the amount of time our management has to implement our business plan and may delay our anticipated growth plans.

The following table summarizes our cash flow from operating, investing and financing activities for the nine months ended September 30, 2024 and 2023:

	(Unaudited) Nine Months Ended September 30,	
	2024	2023
Net cash used in operating activities	\$ (4,340,097)	\$ (4,064,419)
Net cash used in investing activities	(27,776)	(55,741)
Net cash provided by financing activities	4,550,198	4,627,710
Net increase in cash and cash equivalents	182,325	507,550
Cash and cash equivalents at beginning of period	78,560	253,699
Cash and cash equivalents at end of period	\$ 260,885	\$ 761,249

*Operating Activities* – Net cash used in operating activities increased \$275,678, or 6.8% for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 primarily due to a higher operating loss.

*Investing Activities* – Net cash used in investing activities decreased \$27,965, or 50.2%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 due to lower capital expenditures.

*Financing Activities* – Net cash provided by financing activities decreased \$77,512, or 1.7%, for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 primarily due to lower proceeds from the issuance of convertible notes in 2024 compared to the net IPO and notes payable proceeds in 2023.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Application of U.S. GAAP and Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our (i) controls over the application of U.S. GAAP based on guidance and interpretations issued by the Financial Accounting Standards Board through the Accounting Standards Codification and Accounting Standards Updates and (ii) disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2024, our U.S. GAAP reporting and disclosure controls and procedures were not effective in ensuring that information required to be reported under U.S. GAAP and disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and (ii) accumulated and communicated to our management, including our principal executive and principal accounting officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Due to accounting resource constraints, we have had limited review controls. These constraints have resulted in (i) a lack of segregation of duties since we have a limited administrative staff, (ii) a lack of internal controls structure review and (iii) a restatement of our unaudited financial statements as of and for the three and nine month periods ended September 30, 2023. As a result of these constraints, we had material weaknesses in our internal control over financing reporting as of September 30, 2024.

The Company's assessment identified certain material weaknesses which are set forth below:

#### Functional Controls and Segregation of Duties

Because of the Company's limited resources, there are limited controls over information processing. Additionally, there is inadequate segregation of duties consistent with control objectives. Our management is composed of a small number of individuals resulting in a situation where limitations on segregation of duties exist. All responsibility for accounting entries and the creation of financial statements is held by a single person, though the

Company engages multiple accounting consultants for accounting, tax and audit support. To remedy this situation, we hired additional staff to facilitate greater segregation of duties.

Accordingly, as the result of identifying the above material weakness we have concluded that these control deficiencies resulted in a reasonable possibility that a material misstatement of the annual or interim financial statements may not be prevented or detected on a timely basis by the Company's internal controls.

Management believes that the material weaknesses set forth above were the result of the scale of our operations and are intrinsic to our small size. Management continues to take actions to remedy these weaknesses, including the review of current staff, reassignment of duties, and continued hiring of additional staff to create the necessary segregation of duties to improve controls over information processing.

#### Remediation Plan

We are starting the process of documenting, reviewing and improving our internal controls and procedures for compliance with Section 404 of the Sarbanes-Oxley Act, which requires annual management assessment of the effectiveness of our internal control over financial reporting. To comply with the requirements of being a public company, the Company has undertaken various actions including the hiring of additional staff, and will take additional actions, such as remediating the material weaknesses described above, implementing additional internal controls and procedures and hiring personnel or financial consultants, as needed. While we believe that these remediation actions will improve the effectiveness of our internal control over financial reporting, the material weakness identified will not be considered remediated until the controls operate for a sufficient period of time, and we cannot provide assurance that the measures we have taken to date, or any measures we may take in the future will be sufficient to remediate the material weakness we have identified or avoid potential future material weaknesses.

#### **Changes in Internal Control over Financial Reporting**

Other than the remediation efforts described above, there were no changes in our internal controls over financial reporting during the quarter ended September 30, 2024 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**

From time to time in the normal course of our business operations, we may become subject to litigation that may result in liability material to our financial condition as a whole or may negatively affect our operating results if changes to our business operations are required. The cost to defend such litigation may be significant and may require a significant diversion of our resources, and there is no guarantee that we will be able to successfully defend against any such litigation regardless of particular merits. There also may be adverse publicity associated with litigation that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. Insurance may not be available on favorable terms, at all, or in sufficient amounts to cover any liabilities with respect to these or other matters. A judgment or other liability in excess of our insurance coverage for any claims could adversely affect our business, financial condition and the results of our operations.

Please reference the Litigation section of Note 11 to the unaudited financial statements for additional disclosure.

### **ITEM 1A: RISK FACTORS**

Not applicable.

### **ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

#### *Unregistered Sales of Equity Securities*

On August 22, 2024, the Company issued 25,601 shares of common stock to holders of the Amended 2024 Convertible Promissory Notes in lieu of \$60,911 in cash payments for interest through August 22, 2024.

On August 28, 2024 the Company issued 102,860 shares of common stock to pre-IPO Series A Preferred Shareholders to settle certain claims. The Company recorded the fair value of the settlement totaling \$293,791 as other expense in the condensed statements of operations.

On September 17, 2024, the Company issued 10,145 shares of common stock to a vendor pursuant to a marketing agreement. The Company recorded the fair value of services totaling \$10,131 as general and administrative expense in the condensed statements of operations.

Unless otherwise stated above, the issuances of these securities were made in reliance upon exemptions provided by Section 4(a)(2) of the Securities Act, Regulation D promulgated thereunder, or Securities Act Rule 701 for the offer and sale of securities not involving a public offering.

### **ITEM 3: DEFAULTS UPON SENIOR SECURITIES.**

None.

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

Not applicable.

### **ITEM 5: OTHER INFORMATION.**

During the quarter ended September 30, 2024, no director or officer of the Company adopted or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

## **ITEM 6: EXHIBITS**

Exhibit Number	Exhibit Description
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3.1*	<a href="#"><u>Certificate of Amendment to the Certificate of Incorporation of Neuraxis, Inc., dated August 22, 2024</u></a>
3.2*	<a href="#"><u>Certificate of Designation of Series B Preferred Stock, dated August 22, 2024</u></a>
10.1	<a href="#"><u>Form of Unrestricted Stock Award Agreement by and between Neuraxis, Inc. and Grantees dated on July 1, 2024 (incorporated by reference to exhibit 10.1 to current report on Form 8-K, furnished to the SEC on July 5, 2024)</u></a>
10.2	<a href="#"><u>Fourth Amendment to Securities Purchase Agreement, dated October 12, 2024, between the Company and Flagstaff International, LLC (incorporated by reference to exhibit 10.1 to current report on Form 8-K, furnished to the SEC on October 18, 2024)</u></a>
10.3	<a href="#"><u>Form of Securities Purchase Agreement (incorporated by reference to exhibit 10.2 to current report on Form 8-K, furnished to the SEC on October 18, 2024)</u></a>
10.4	<a href="#"><u>Form of Registration Rights Agreement (incorporated by reference to exhibit 10.2 to current report on Form 8-K, furnished to the SEC on October 18, 2024)</u></a>
31.1*	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350 Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer</u></a>
31.2*	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350 Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Financial Officer</u></a>
32.1**	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350 Section 906 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer</u></a>
32.2**	<a href="#"><u>Certification pursuant to 18 U.S.C. Section 1350 Section 906 of the Sarbanes-Oxley Act of 2002 - Chief Financial Officer</u></a>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

\* Filed herewith.

\*\* Furnished herewith

### SIGNATURES

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

Date: November 12, 2024

NEURAXIS, INC.

By: /s/ Brian Carrico

Brian Carrico  
Chief Executive Officer

(Principal Executive Officer)

Date: November 12, 2024

/s/ Timothy Henrichs

Timothy Henrichs  
Chief Financial Officer  
(Principal Financial and Principal Accounting Officer)

**CERTIFICATE OF AMENDMENT  
TO THE  
CERTIFICATE OF INCORPORATION OF  
NEURAXIS, INC.**

Neuraxis, Inc., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the "**Corporation**"), hereby certifies as follows:

1. The name of the Corporation is Neuraxis, Inc. The Corporation's original Certificate of Incorporation (the "**Certificate of Incorporation**") was filed with the Secretary of State of the State of Delaware on June 23, 2022.
2. A certificate of amendment of the Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on January 12, 2023.
2. Pursuant to Section 242 of the DGCL, this certificate of amendment to the Certificate of Incorporation (this "**Certificate of Amendment**") further amends the provisions of the Corporation's Certificate of Incorporation.
3. ARTICLE IV of the Certificate of Incorporation of the Corporation is hereby amended and restated to read in its entirety as follows:

"ARTICLE IV

A. AUTHORIZED STOCK.

The total number of shares of stock which the Company shall have authority to issue is 105,000,000, consisting of 100,000,000 shares of common stock, par value \$0.001 per share (the "**Common Stock**"), and 5,000,000 shares of blank check preferred stock, par value \$0.001 per share (the "**Preferred Stock**" or "**Blank Check Preferred Stock**").

B. ISSUANCE OF PREFERRED STOCK.

The Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Corporation (the "Board") is hereby expressly authorized to provide for the issue of all or any of the shares of the Blank Check Preferred Stock in one or more series, and to fix the number of shares and to determine or alter for each such series, such voting powers, full or limited, or no voting powers, and such designation, preferences, and relative, participating, optional, or other rights and such qualifications, limitations, or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board providing for the issuance of such shares and as may be permitted by the General Corporation Law of the State of Delaware. The Board is also expressly authorized to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

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C. RIGHTS, PREFERENCES, PRIVILEGES AND RESTRICTIONS OF COMMON STOCK.

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock set forth herein.
2. Voting. Each holder of Common Stock, as such, shall be entitled to one vote for each share of Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote. There shall be no cumulative voting."

4. This Certificate of Amendment to the Corporation's Certificate of Incorporation has been duly authorized and adopted by the Board in accordance with the provisions of Section 242 of the Delaware General Corporation Law.

5. That thereafter, pursuant to resolution of the Board, a meeting of the stockholders of the Corporation was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of this Certificate of Amendment.

6. This the Certificate of Amendment shall become effective on the date filed with the State of Delaware.

IN WITNESS WHEREOF, Neuraxis, Inc. has caused this Certificate of Amendment to be signed by Brian Carrico, a duly authorized officer of the Corporation, on August 22, 2024.

/s/ Brian Carrico  
\_\_\_\_\_  
Brian Carrico  
Chief Executive Officer

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NEURAXIS, INC.  
 CERTIFICATE OF DESIGNATION OF PREFERENCES,  
 RIGHTS AND LIMITATIONS  
 OF  
 SERIES B PREFERRED STOCK

Neuraxis, Inc., a Delaware corporation (the "**Corporation**"), does hereby certify that the board of directors of the Corporation (the "**Board of Directors**") has adopted the following resolution creating the following series of the Corporation's Series B Preferred Stock and determined the voting powers, designations, powers, preferences and relative, participating, optional, or other special rights, and the qualifications, limitations, and restrictions thereof, of such series:

**RESOLVED**, that the Board of Directors does hereby provide for the issuance of the following series of preferred stock for cash or exchange of other securities, rights or property and does hereby fix and determine the rights, preferences, restrictions and other matters relating to such series of preferred stock as follows:

**Section 1. Definitions.** For the purposes hereof, the following terms shall have the following meanings:

"**Alternate Consideration**" shall have the meaning set forth in **Section 8(b)**.

"**Business Day**" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"**Common Stock**" means the Corporation's common stock, par value \$0.001 per share, and stock of any other class of securities into which such securities may hereafter be reclassified or changed.

"**Common Stock Equivalents**" means any securities of the Corporation which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

"**Conversion Date**" shall have the meaning set forth in **Section 7(b)**.

"**Conversion Price**" shall have the meaning set forth in **Section 7(a)**.

"**Conversion Shares**" means, collectively, the shares of Common Stock issuable upon conversion of the shares of Preferred Stock in accordance with the terms hereof.

"**Fundamental Transaction**" shall have the meaning set forth in **Section 8(b)**.

"**Holder**" shall have the meaning set forth in **Section 2**.

"**Liquidation**" shall have the meaning set forth in **Section 5**.

"**Notice of Conversion**" shall have the meaning set forth in **Section 7(b)**.

"**Person**" means an individual, corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or agency or subdivision thereof) or other entity of any kind.

"**Preferred Stock**" shall have the meaning set forth in **Section 2**.

"**Stated Value**" shall have the meaning set forth in **Section 2**.

"**Transfer Agent**" means VStock Transfer, LLC, the current transfer agent of the Corporation and any successor transfer agent of the Corporation.

**Section 2. Designation, Amount and Par Value.** The series of preferred stock shall be designated as Series B Preferred Stock (the "**Preferred Stock**") and the number of shares so designated shall be 4,000,000, which shall not be subject to increase without the written consent of the holders of at least 80% of the Preferred Stock (each, a "**Holder**" and collectively, the "**Holders**") in accordance with **Section 4** below. Each share of Preferred Stock shall have a par value of \$0.001 per share and a stated value of \$2.38 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Preferred Stock (the "**Stated Value**").

**Section 3. Dividends.** In addition to stock dividends or distributions for which adjustments are to be made pursuant to **Section 8**, before any dividends shall be paid or set aside for payment on any other class of security of the Corporation, each holder of the Series B Preferred Stock shall be entitled to receive dividends, in the manner provided herein, payable on the Stated Value of the Series B Preferred Stock at a rate of 8.5% per annum, which shall be cumulative and be due and payable quarterly at the Corporation's discretion either in cash or in shares of Common Stock at the Series B Conversion Price (the applicable date of payment, a "Dividend Date"). Such dividends shall accrue from the date of issue of each share of Series B Preferred Stock, whether or not declared, through the Dividend Date. If a Dividend Date is not a business day, then the dividend shall be due and payable on the business day immediately following such Dividend Date. Dividends shall be payable to holders of record of the Series B Preferred Stock as they appear on the stock books of the Corporation on the Dividend Date. The rights under this Section shall expire automatically on June 30, 2025.

**Section 4. Voting Rights.** On any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting), each Holder shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Preferred Stock held by such Holder are convertible as of the record date for determining stockholders entitled to vote on such matter, provided, however, such Holder shall not be entitled to cast a number of votes in excess of the Maximum Percentage (defined below). Except as provided by law or by the other provisions of this Certificate of Designation, the Holders shall vote

together with the holders of shares of Common Stock as a single class. However, as long as any shares of Preferred Stock are outstanding, the Corporation shall not, without the affirmative vote of the Holders of a majority of the then outstanding shares of the Preferred Stock, (a) alter or change adversely the powers, preferences or rights given to the Preferred Stock or alter or amend this Certificate of Designation, (b) authorize or create any class of stock ranking as to dividends, redemption or distribution of assets upon a Liquidation senior to the Preferred Stock, (c) amend its certificate of incorporation or other charter documents in any manner that adversely affects any rights of the Holders, (d) increase the number of authorized shares of Preferred Stock, or (e) enter into any agreement with respect to any of the foregoing.

**Section 5. Liquidation.** Upon any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary (a “**Liquidation**”), the Holders of shares of Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, before any payment shall be made to the holders of shares of Common Stock or any other capital stock by reason of their ownership thereof, an amount equal the Stated Value per share, plus any dividends declared but unpaid thereon. The Corporation shall mail written notice of any such Liquidation, not less than 45 days prior to the payment date stated therein, to each Holder. The rights under this Section shall automatically expire on June 30, 2025.

**Section 6. Limitations on Corporate Actions.** As long as any shares of Series B Preferred Stock are outstanding, the Corporation shall not, without the written consent or affirmative vote of the holders of a majority of the then-outstanding shares of Series B Preferred Stock (the “Requisite Holders”), consenting or voting (as the case may be) as a separate class from the Common Stock, either directly or by amendment, merger, consolidation or otherwise:

(i) create, incur, assume, guarantee, endorse or be or remain liable, contingently or otherwise, with respect to any indebtedness outside of the ordinary course of business;

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(ii) authorize or create any class of stock ranking as to dividends, redemption or distribution of assets upon a Liquidation senior to the Series B Preferred Stock; or

(iii) enter into any agreement with respect to any of the foregoing.

**Section 7. Conversion.**

(a) Conversion at Option of Holder. Each Holder may, at its option, at any time and from time to time, elect to convert each share of Preferred Stock plus accrued, but unpaid dividends thereon, into such number of fully paid and non-assessable shares of Common Stock as is determined by dividing the Stated Value by the Conversion Price in effect on the Conversion Date. The “**Conversion Price**” shall initially be equal to \$2.38. Such initial Conversion Price, and the rate at which shares of Preferred Stock plus accrued, but unpaid dividends thereon, may be converted into shares of Common Stock, shall be subject to adjustment as provided below.

(b) Mechanics of Conversion. Holders shall effect conversions by providing the Corporation with the form of conversion notice attached hereto as Annex A (the “**Notice of Conversion**”). Each Notice of Conversion shall specify the number of shares of Preferred Stock to be converted, the number of shares of Preferred Stock owned prior to the conversion at issue, the number of shares of Preferred Stock owned subsequent to the conversion at issue and the date on which such conversion is to be effected, which date may not be prior to the date the applicable Holder delivers by facsimile such Notice of Conversion to the Corporation (such date, the “**Conversion Date**”). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion to the Corporation is deemed delivered hereunder. No ink-original Notice of Conversion shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Conversion from be required. The calculations and entries set forth in the Notice of Conversion shall control in the absence of manifest or mathematical error. To effect conversions of shares of Preferred Stock, a Holder shall not be required to surrender the certificate(s) representing the shares of Preferred Stock to the Corporation unless all of the shares of Preferred Stock represented thereby are so converted, in which case such Holder shall deliver the certificate representing such shares of Preferred Stock promptly following the Conversion Date at issue. As soon as practicable after the Conversion Date, the Corporation shall issue and deliver to such Holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, together with cash as provided in **Section 7(d)** in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion (if applicable) and the payment of any declared but unpaid dividends on the shares of Preferred Stock converted. Such converted Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of its preferred stock accordingly.

(c) Reserve Shares Issuable Upon Conversion. The Corporation covenants that it will reserve a sufficient number of shares of Common Stock for issuance to the Holders upon conversion of the Preferred Stock. The Corporation further covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable.

(d) Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of the Preferred Stock. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such conversion, the Corporation shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share.

(e) Transfer Taxes and Expenses. The issuance of Conversion Shares on conversion of the Preferred Stock shall be made without charge to any Holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such Conversion Shares, provided that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involving the issuance and delivery of any such Conversion Shares upon conversion in a name other than that of the Holders of such shares of Preferred Stock and the Corporation shall not be required to issue or deliver such Conversion Shares unless or until the Person or Persons requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation such tax has been paid.

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(f) Ownership Cap. Notwithstanding anything to the contrary contained herein, the Holder shall not be entitled to receive Common Shares to the extent (but only to the extent) that such conversion or receipt would cause the Holder Group (as defined below) to become, directly or indirectly, a “beneficial owner” (within the meaning of Section 13(d) of the 1934 Act and the rules and regulations promulgated thereunder) of a number of Common Shares of a class that is registered under the 1934 Act which exceeds the Maximum Percentage of the Common Shares of such class that are outstanding at such time. For purposes of this **Section 7(f)**, (i) the term “Maximum Percentage” shall initially be set at the discretion of each Holder to a percentage designated by such Holder on its signature page to the Purchase Agreement between 4.99% and 19.99% until the date the Stockholder approval is obtained. Notwithstanding the foregoing, by written notice to the Corporation (which may be by email), (i) which will not be effective until the sixty-first (61st) day after such written notice is delivered to the Corporation, the Holder may reset the Maximum Percentage to a higher percentage, not to exceed 19.99% until the date the Stockholder Approval is obtained, to the extent applicable, and (ii) which will be effective immediately after such notice is delivered to the Corporation, the Holder may reset the Maximum Percentage to a lower percentage and (ii) the term “Holder Group” shall mean

the Holder plus any other Person with which the Holder is considered to be part of a group under Section 13 of the 1934 Act or with which the Holder otherwise files reports under Sections 13 and/or 16 of the 1934 Act. In determining the number of Common Shares of a particular class outstanding at any point in time, the Holder may rely on the number of outstanding Common Shares of such class as reflected in (x) the Company's most recent Annual Report on Form 10-K or Quarterly Report on Form 10-Q, each filed with the Securities and Exchange Commission, as the case may be, (y) a more recent public announcement by the Company or (z) a more recent notice by the Company or the Transfer Agent to the Holder setting forth the number of Common Shares of such class then outstanding. For any reason at any time, upon written or oral request of the Holder, the Company shall, within one (1) Business Day of such request, confirm orally and in writing to the Holder the number of Common Shares of any class then outstanding.

## **Section 8. Adjustments.**

(a) **Stock Dividends and Stock Splits.** If the Corporation, at any time while the Preferred Stock is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any other Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Corporation upon conversion of the Preferred Stock), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares, or (iv) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Corporation, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Corporation) outstanding immediately before such event, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this **Section 8(a)** shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

(b) **Fundamental Transaction.** If, at any time while the Preferred Stock is outstanding, (i) the Corporation, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Corporation with or into another Person, (ii) the Corporation, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Corporation or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Corporation, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Corporation, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "**Fundamental Transaction**"), then, upon any subsequent conversion of the Preferred Stock, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation on the conversion of the Preferred Stock), the number of shares of Common Stock of the successor or acquiring corporation or of the Corporation, if it is the surviving corporation, and any additional consideration (the "**Alternate Consideration**") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which the Preferred Stock is convertible immediately prior to such Fundamental Transaction (without regard to any limitation on the conversion of the Preferred Stock). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Corporation shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of the Preferred Stock following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Corporation or surviving entity in such Fundamental Transaction shall file a new Certificate of Designation with the same terms and conditions and issue to the Holders new preferred stock consistent with the foregoing provisions and evidencing the Holders' right to convert such preferred stock into Alternate Consideration. The Corporation shall cause any successor entity in a Fundamental Transaction in which the Corporation is not the survivor to assume in writing all of the obligations of the Corporation under this Certificate of Designation and the Settlement Agreement in accordance with the provisions of this **Section 8(b)**.

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(c) **Calculations.** All calculations under this **Section 8** shall be made to the nearest cent or the nearest 100th of a share, as the case may be. For purposes of this **Section 8**, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Corporation) issued and outstanding.

(d) **Notice to Holders.**

(i) **Adjustments.** Whenever the Conversion Price is adjusted pursuant to any provision of this **Section 8**, the Corporation shall promptly deliver to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

(ii) **Notice to Allow Conversion by Holder.** If (A) the Corporation shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Corporation shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Corporation shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Corporation shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Corporation is a party, any sale or transfer of all or substantially all of the assets of the Corporation, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property or (E) the Corporation shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, then, in each case, the Corporation shall cause to be filed at each office or agency maintained for the purpose of conversion of the Preferred Stock, and shall cause to be delivered to each Holder at its last address as it shall appear upon the stock books of the Corporation, at least twenty (20) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Corporation or any of its subsidiaries, the Corporation shall simultaneously file such notice with the United States Securities and Exchange Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to convert the Preferred Stock (or any part hereof) during the 20-day period commencing on the date of such notice through the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

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## Section 9. Miscellaneous.

(a) Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder shall be in writing and delivered personally, or sent by a nationally recognized overnight courier service, addressed to the Corporation at 11611 N. Meridian St, Suite 330, Carmel, IN 46032, Attention Brian Carrico, CEO, e-mail address bcarrico@nueraxis.com such other e-mail address, or address as the Corporation may specify for such purposes by notice to the Holders delivered in accordance with this **Section 9**. Any and all notices or other communications or deliveries to be provided by the Corporation hereunder shall be in writing and delivered personally, by facsimile, by e-mail, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number, e-mail address, or address of such Holder appearing on the books of the Corporation, or if no such facsimile number, e-mail address, or address appears on the books of the Corporation, at the principal place of business of such Holder, as set forth in the securities purchase agreement by and between such Holder and the Corporation. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile or e-mail prior to 5:30 p.m. (New York City time) on any date, (ii) the next Business Day after the date of transmission, if such notice or communication is delivered via facsimile or e-mail on a day that is not a Business Day or later than 5:30 p.m. (New York City time) on any Business Day, (iii) the second Business Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

(b) Absolute Obligation. Except as expressly provided herein, no provision of this Certificate of Designation shall alter or impair the obligation of the Corporation, which is absolute and unconditional, to pay liquidated damages, accrued dividends and accrued interest, as applicable, on the shares of Preferred Stock at the time, place, and rate, and in the coin or currency, herein prescribed.

(c) Lost or Mutilated Preferred Stock Certificate. If a Holder's Preferred Stock certificate shall be mutilated, lost, stolen or destroyed, the Corporation shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated certificate, or in lieu of or in substitution for a lost, stolen or destroyed certificate, a new certificate for the shares of Preferred Stock so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such certificate, and of the ownership hereof reasonably satisfactory to the Corporation or the Transfer Agent.

(d) Waiver. Any waiver by the Corporation or a Holder of a breach of any provision of this Certificate of Designation shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Certificate of Designation or a waiver by any other Holders. The failure of the Corporation or a Holder to insist upon strict adherence to any term of this Certificate of Designation on one or more occasions shall not be considered a waiver or deprive that party (or any other Holder) of the right thereafter to insist upon strict adherence to that term or any other term of this Certificate of Designation on any other occasion. Any waiver by the Corporation or a Holder must be in writing.

(e) Severability. If any provision of this Certificate of Designation is invalid, illegal or unenforceable, the balance of this Certificate of Designation shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted by law.

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(f) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

(g) Headings. The headings contained herein are for convenience only, do not constitute a part of this Certificate of Designation and shall not be deemed to limit or affect any of the provisions hereof.

(h) Status of Converted or Redeemed Preferred Stock. Shares of Preferred Stock may only be issued pursuant to a securities purchase agreement by and between the Holder and the Corporation. If any shares of Preferred Stock shall be converted, redeemed or reacquired by the Corporation, such shares shall resume the status of authorized but unissued shares of preferred stock and shall no longer be designated as Series B Preferred Stock.

IN WITNESS WHEREOF, Neuraxis, Inc. has caused this Certificate of Designation to be signed by Brian Carrico, a duly authorized officer of the Corporation, on August 22, 2024.

/s/ Brian Carrico  
Brian Carrico  
Chief Executive Officer

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## ANNEX A

### NOTICE OF CONVERSION

The undersigned hereby elects to convert the number of shares of Series B Preferred Stock indicated below into shares of common stock, par value \$0.001 per share (the "**Common Stock**"), of Neuraxis, Inc., a Delaware corporation (the "**Corporation**"), according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as may be required by the Corporation. No fee will be charged to the Holders for any conversion, except for any such transfer taxes.

Conversion calculations:

Date of Conversion: \_\_\_\_\_

Number of shares of Preferred Stock owned prior to Conversion: \_\_\_\_\_

Number of shares of Preferred Stock to be Converted: \_\_\_\_\_

Number of shares of Common Stock to be Issued: \_\_\_\_\_

Applicable Conversion Price:\_\_\_\_\_

Number of shares of Preferred Stock subsequent of Conversion:\_\_\_\_\_

Address for Delivery:\_\_\_\_\_

Or DWAC Instructions (if can be sold without restriction under Rule 144):

Broker no:\_\_\_\_\_

Account no:\_\_\_\_\_

[HOLDER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_

## SECTION 302 CERTIFICATION

I, Brian Carrico, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended on September 30, 2024 of Neuraxis, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on Neuraxis, Inc.'s most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (of persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: November 12, 2024

By: /s/ Brian Carrico  
Brian Carrico  
Chief Executive Officer

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## SECTION 302 CERTIFICATION

I, Timothy Henrichs, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended on September 30, 2024 of Neuraxis, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on Neuraxis, Inc.'s most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (of persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Date: November 12, 2024

By: /s/ Timothy Henrichs  
Timothy Henrichs  
Chief Financial Officer

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

In connection with the Quarterly Report of Neuraxis, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2024 (the "Report") I, Brian Carrico, Chief Executive Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

- (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 operations of the Company.

Date: November 12, 2024

By: /s/ Brian Carrico

Brian Carrico  
Chief Executive Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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

In connection with the Quarterly Report of Neuraxis, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2024 (the "Report") I, Timothy Henrichs, Chief Financial Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

- (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 operations of the Company.

Date: November 12, 2024

By: /s/ Timothy Henrichs  
Timothy Henrichs  
Chief Financial Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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