MEDICAL TRANSCRIPTION BILLING, CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash	$ 306,504	$ 497,944
Accounts receivable - net of allowance for doubtful accounts of $86,531 and $58,183 at March 31, 2014 and December 31, 2013, respectively	942,240	1,009,416
Current assets - related party	13,200	23,840
Other current assets	290,079	214,678
Deferred income taxes	229,691	41,829
Total current assets	1,781,714	1,787,707
PROPERTY AND EQUIPMENT - Net	528,187	505,344
INTANGIBLE ASSETS - Net	1,322,741	1,534,780
GOODWILL	344,000	344,000
OTHER ASSETS	1,777,332	1,600,783
TOTAL ASSETS	$ 5,753,974	$ 5,772,614
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 296,299	$ 200,469
Accrued expenses	681,974	684,896
Accrued IPO costs	657,875	430,125
Deferred rent	4,318	11,667
Deferred revenue	50,047	56,686
Accrued liability to related party	68,266	93,596
Borrowings under line of credit	1,215,000	1,015,000
Notes payable - other (current portion)	768,991	916,104
Total current liabilities	3,742,770	3,408,543
NOTES PAYABLE		
Note payable - related party	735,680	735,680
Notes payable - others	268,246	425,587
Notes payable - convertible note	484,196	472,429
	1,488,122	1,633,696
OTHER LONG-TERM LIABILITIES	39,097	38,142
DEFERRED RENT	567,637	519,000
DEFERRED REVENUE	50,693	54,736
Total liabilities	5,888,319	5,654,117
COMMITMENT AND CONTINGENCIES (Note 7)		
SHAREHOLDERS' (DEFICIT) EQUITY:		
Common stock, $0.001 par value - authorized, 19,000,000 shares; issued and outstanding, 5,101,770 shares	5,102	5,102
Additional paid-in capital	251,628	251,628
Accumulated (deficit) retained earnings	(334,550)	49,121
Accumulated other comprehensive loss	(56,525)	(187,354)
Total shareholders' (deficit) equity	(134,345)	118,497
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY	$ 5,753,974	$ 5,772,614

See notes to condensed consolidated financial statements.

MEDICAL TRANSCRIPTION BILLING, CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31,	
	2014	**2013**
NET REVENUE	$ 2,573,477	$ 2,237,320
OPERATING EXPENSES:		
Direct operating costs	1,152,635	927,315
Selling and marketing	70,021	70,579
General and administrative	1,286,276	958,190
Research and development	116,428	97,370
Depreciation and amortization	270,043	182,483
Total operating expenses	2,895,403	2,235,937
Operating (loss) income	(321,926)	1,383
OTHER:		
Interest income	2,989	8,037
Interest expense	(52,713)	(29,848)
Other (expense) income - net	(199,885)	37,015
(LOSS) INCOME BEFORE BENEFIT FOR INCOME TAXES	(571,535)	16,587
INCOME TAX BENEFIT	(187,863)	(2,557)
NET (LOSS) INCOME	$ (383,672)	$ 19,144
NET (LOSS) INCOME PER SHARE		
Basic and diluted net (loss) income per share	$ (0.08)	$ 0.00
Weighted-average basic and diluted shares outstanding	5,101,770	5,101,770

See notes to condensed consolidated financial statements.

MEDICAL TRANSCRIPTION BILLING, CORP.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
NET (LOSS) INCOME	$ (383,672)	$ 19,144
OTHER COMPREHENSIVE LOSS, NET OF TAX		
Foreign currency translation adjustment (a)	130,829	(15,644)
COMPREHENSIVE (LOSS) INCOME	$ (252,843)	$ 3,500

See notes to condensed consolidated financial statements.

(a) Net of taxes of $67,395 and $10,429 for the three months ended March 31, 2014 and 2013, respectively.

MEDICAL TRANSCRIPTION BILLING, CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013 (UNAUDITED)

	2014	2013
OPERATING ACTIVITIES:		
Net (loss) income	$ (383,672)	$ 19,144
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	270,043	182,483
Deferred rent	2,139	7,306
Deferred revenue	(10,682)	24,667
Deferred income taxes	(187,863)	-
Provision for (recovery of) doubtful accounts	28,348	(29,122)
Foreign exchange loss (gain)	210,006	(25,045)
Gain from reduction in referral fee	(105,523)	-
Gain on disposal of assets	-	(9,051)
Interest accretion on convertible promissory note	11,767	-
Other	955	-
Changes in operating assets and liabilities:		
Accounts receivable	38,826	332
Other assets	(18,520)	(91,750)
Accounts payable and other liabilities	144,880	18,047
Net cash provided by operating activities	704	97,011
INVESTING ACTIVITIES:		
Capital expenditures	(53,569)	(47,753)
Advances to majority shareholder	(1,000)	(5,000)
Repayment of advances to majority shareholder	1,000	-
Proceeds from sale of assets	-	8,961
Net cash used in investing activities	(53,569)	(43,792)
FINANCING ACTIVITIES:		
Proceeds from note payable to majority shareholder	-	1,000,000
Repayments of notes payable - other	(340,880)	(179,380)
Proceeds from line of credit	1,485,000	537,841
Repayments of line of credit	(1,285,000)	(1,109,154)
IPO-related costs	(14,508)	(60,000)
Net cash (used in) provided by financing activities	(155,388)	189,307
EFFECT OF EXCHANGE RATE CHANGES ON CASH	16,813	(5,947)
NET (DECREASE) INCREASE IN CASH	(191,440)	236,579
CASH - Beginning of the period	497,944	268,323
CASH - End of period	$ 306,504	$ 504,902
SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES:		
Finance lease	$ -	$ 6,944
Purchase of prepaid insurance through assumption of note	$ 36,640	$ -
Accrued IPO-related costs	$ 227,750	$ -
SUPPLEMENTAL INFORMATION - Cash paid during the period for:		
Income taxes	$ 5,230	$ 22,000
Interest	$ 82,600	$ 17,430

See notes to condensed consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared by Medical Transcription Billing, Corp. ("MTBC" or the "Company") in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting and as required by Regulation S-X, Rule 10-01. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of items of a normal and recurring nature) necessary to present fairly the financial position as of March 31, 2014, the results of operations and cash flows for the three months ended March 31, 2014 and 2013. The results of operations for the three months ended March 31, 2014 are not necessarily indicative of the results to be expected for the full year. When preparing financial statements in conformity with GAAP, we must make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The condensed consolidated balance sheet as of December 31, 2013 was derived from our audited consolidated financial statements. The accompanying unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013.

On April 4, 2014, the Company split its stock, 8.65 shares for one. All share and per share amounts have been adjusted for the stock split effective April 4, 2014. All share data information presented within the condensed consolidated financial statements gives effect to the stock split.

Current Business Conditions – For the three months ended March 31, 2014 and the year ended December 31, 2013, the Company incurred an operating loss of $321,926 and $127,516, respectively, a net loss of $383,672 and $177,996, respectively, and the working capital deficiency on March 31, 2014 was approximately $2.0 million. The operating loss in the three months ended March 31, 2014 was primarily the result of a $203,000 foreign exchange loss (part of other income), and additional salaries and professional fees to prepare for pending growth from three potential acquisitions.

The working capital deficiency is primarily the result of the indebtedness incurred in connection with the acquisitions entered into during 2012 and 2013, as well as the $1.6 million of deferred initial public offering costs and $350,000 of expensed professional fees that relate to acquisitions and preparation to become a public company. The Company's line of credit with TD Bank has a limit of $1.2 million and the Company has no further availability under the line as of March 31, 2014. The line of credit renews annually, and currently expires in August 2014. The Company relies on the line of credit, which has been renewed annually for the past three years. The Company's ability to continue as a going concern is dependent on its ability to generate sufficient cash from operations to meet its cash needs and/or to raise funds to finance ongoing operations and repay debt. Under the current operating model, the Company will exhaust current cash resources unless the Company obtains additional debt or equity financing.

The Company has no indications that the line of credit would not be renewed, but if the line of credit were not renewed or additional capital is necessary, the Company would need to obtain additional financing. The Company has spoken with banks, debt funds and private equity funds, and believes there are several viable options available to the Company. The Company has not pursued any of these options because it believes they would not be necessary after the completion of the Company's initial public offering, in which the Company expects to raise additional working capital in addition to funding three potential acquisitions. If none of the financing events described above transpire, the Company has received a support letter from the holder of the Company's convertible note, which demonstrates the investor's commitment to provide financial support, in the form of purchasing stock, additional convertible notes, or some other instrument, at an interest rate determined by such investor, of up to $1.2 million, if and as needed, to enable by the Company to continue as a going concern until May 31, 2015. The Company's majority shareholder has also committed, if necessary, to contribute additional capital of up to $400,000.

Initial Public Offering Costs — Initial public offering costs consist primarily of professional fees, principally of legal and accounting costs, and other costs such as printing and registration costs incurred in connection with the planned initial public offering ("IPO") of the Company's common stock. As of March 31, 2014 and December 31, 2013, the Company incurred $1,555,109 and $1,312,850, respectively, of costs directly attributable to its proposed IPO, which been deferred and recorded in other assets in the condensed consolidated balance sheets. Such costs are deferred until the closing of the offering, at which time the deferred costs are offset against the offering proceeds. In the event the offering is unsuccessful or aborted, the costs will be expensed. During the three months ended March 31, 2014, the Company incurred $65,594 of various professional fees that were not directly attributable to the IPO and were included in general and administrative expenses in the condensed consolidated statement of operations.

Recent Accounting Pronouncements — From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") and are adopted by the Company as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently adopted and recently issued accounting pronouncements will not have a material impact on our consolidated financial position, results of operations, and cash flows.

In July 2013, the FASB issued ASU No. 2013-11, "Income Taxes (Topic 740)—Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists". This amendment clarifies the guidance on the presentation of an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. ASU No. 2013-11 is effective for fiscal periods beginning after December 15, 2013. The Company's adoption of this guidance did not have a material impact on the condensed consolidated financial statements.

2. ACQUISITIONS

Effective at the close of business on June 30, 2013, the Company executed an Asset Purchase Agreement (the "Agreement") to acquire Metro Medical Management Services, Inc. ("Metro Medical"). Metro Medical is a New York-based company that offers full-scale revenue cycle management services to small-to-medium sized healthcare practices. Metro Medical broadened the Company's presence in the healthcare information technology ("IT") industry through geographic expansion of its customer base and by increasing available marketing resources and specialized trained staff. Under the terms of the Agreement, the Company paid cash consideration of $275,000 at closing and issued a promissory note to Metro Medical for $1,225,000. The principal amount of the promissory note is payable in monthly installments over a twenty-four month period from September 2013, and bears interest at the rate of 5% per year.

Cash paid on date of acqusition	$ 275,000
Promissory note payable to Metro Medical	1,225,000
Total purchase consideration	$ 1,500,000

Under purchase price accounting, we recognize the assets and liabilities acquired at their fair value on the acquisition date, with any excess in purchase price over these values being allocated to goodwill.

We engaged a third-party valuation specialist to assist the Company in valuing the assets from our acquisition of Metro Medical. The results of the valuation are presented as below:

Customer contracts and relationships	$	904,000
Non-compete agreement		252,000
Goodwill		344,000
	$	1,500,000

The pro forma information below represents condensed consolidated results of operations as if the acquisition of Metro Medical occurred on January 1, 2012. The pro forma information has been included for comparative purposes and is not indicative of results of operations of the Company had the acquisitions occurred at January 1, 2012, nor is it necessarily indicative of future results.

	Pro Forma Three Months Ended March 31, 2013
Total revenue	$ 2,985,584
Net (loss)	$ (177,120)

The revenue from former customers of Metro Medical whose contracts were acquired have been included in the Company's statement of operations for each reporting period since the date of acquisition. Revenues of approximately $625,000 related to Metro Medical are included in the condensed consolidated statements of operations for the three months ended March 31, 2014.

In August 2013, the Company signed Asset Purchase Agreements to acquire certain assets of following three companies:

- Omni Medical Billing Services, LLC
- Practicare Medical Management, Inc.
- Tekhealth Services, Inc., Professional Accounts Management, Inc. and Practice Development Strategies, Inc., collectively doing business as CastleRock Solutions, Inc.

The original purchase price for the acquisition of these entities is expected to be approximately $33.3 million, of which approximately $17.5 million will be paid in cash and approximately $16.7 million will be paid through the issuance of the Company's common stock, less a fair value adjustment of approximately $900,000 to account for possible purchase price adjustments after one year. The Company expects to close the acquisition of these companies concurrently with and as a condition to the consummation of its IPO. Unless the Company closes all of the acquisitions, the Company will not close any of the acquisitions and we will not close the IPO.

Per the original terms of our acquisition agreements, the cash consideration paid to the companies is subject to adjustment based on the offering price of our shares of common stock in the offering. The exact cash consideration will not be known until closing of this offering and may differ by up to 10%.

On July 10, 2014, the Company renegotiated purchase prices for the target companies ("Updated Target Agreements") prior to its initial public offering. The Updated Target Agreements include an amended total purchase price of approximately $19.4 million, including fixed cash consideration of approximately $11.3 million and issuance of common stock valued at approximately $8.1 million, (net of an estimated fair value adjustment of $349,000) plus the net proceeds of overallotment sold by the underwriters, if any.

3. INTANGIBLE ASSETS – NET

Intangible assets-net as of March 31, 2014 and December 31, 2013 consist of the following:

	March 31, 2014	December 31, 2013
Contracts and relationships acquired	$ 2,939,988	$ 2,939,988
Non-compete agreements	281,272	281,272
Software purchased	96,577	85,588
Total intangible assets	3,317,837	3,306,848
Less: Accumulated amortization	(1,995,096)	(1,772,068)
Intangible assets - net	$ 1,322,741	$ 1,534,780

Amortization expense was $218,934 and $130,738 for the three months ended March 31, 2014 and 2013, respectively. The weighted-average amortization period is three years.

As of March 31, 2014, future amortization expense scheduled to be expensed as follows:

Years Ending December 31	
2014	$ 637,194
2015	521,506
2016	163,658
2017	383
Total	$ 1,322,741

4. CONCENTRATIONS

Financial Risks — As of March 31, 2014 and December 31, 2013, the Company held Pakistani rupees of 27,070,187 (approximately USD $277,075) and Pakistani rupees of 46,232,463 (approximately USD $440,309), respectively, in the name of its subsidiary at a bank in Pakistan. Funds are wired to Pakistan near the end of each month to cover payroll at the beginning of the next month and operating expenses throughout the month. The banking system in Pakistan does not provide deposit insurance coverage. Additionally, from time to time, the Company maintains cash balances at financial institutions in the United States of America in excess of federal insurance limits. The Company has not experienced any losses on such accounts.

Concentrations of credit risk with respect to trade accounts receivable are managed by periodic credit evaluations of customers. The Company does not require collateral for outstanding trade accounts receivable. No one customer accounts for a significant portion of the Company's trade accounts receivable portfolio and write-offs have been minimal. During the three months ended March 31, 2014, there were no customers with total sales of 4% or more.

Geographical Risks — The Company's offices in Islamabad and Bagh, Pakistan, conduct significant back-office operations for the Company. The Company has no revenue earned outside of the United States of

America. The office in Bagh is located in a different territory of Pakistan from the Islamabad office. The Bagh office was opened in 2009 for the purpose of providing operational support and operating as a backup to the Islamabad office. The Company's operations in Pakistan are subject to special considerations and significant risks not typically associated with companies in the United States. The Company's business, financial condition and results of operations may be influenced by the political, economic, and legal environment in Pakistan and by the general state of Pakistan's economy. The Company's results may be adversely affected by, among other things, changes in governmental policies with respect to laws and regulations, changes in Pakistan's telecommunications industry, regulatory rules and policies, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

Carrying amounts of net (liabilities) assets located in Pakistan were $(112,150) and $114,997 as of March 31, 2014 and December 31, 2013, respectively. These balances exclude intercompany receivables of $2,957,036 and $2,552,280 as of March 31, 2014 and December 31, 2013, respectively. The following is a summary of the net (liabilities) assets located in Pakistan as of March 31, 2014 and December 31, 2013:

	March 31, 2014	December 31, 2013
Current assets	$ 388,753	$ 529,260
Non-current assets	477,429	448,397
	866,182	977,657
Current liabilities	(975,472)	(859,062)
Non-current liabilities	(2,860)	(3,598)
	$ (112,150)	$ 114,997

5. NET (LOSS) INCOME PER SHARE

Basic net (loss) income per share is computed by dividing net (loss) income by the weighted-average number of common shares outstanding during the year. Diluted net (loss) income per share is computed by dividing net (loss) income by the weighted-average number of common shares outstanding and potentially dilutive securities outstanding during the year using the treasury stock method. Under the treasury stock method, dilutive securities are assumed to be exercised at the beginning of the periods or at the time of issuance, if later, and as if funds obtained thereby were used to purchase common stock at an average market price during the period. Securities are excluded from the computations of diluted net (loss) income per share if their effects would be antidilutive to net (loss) income per share. The Company has not issued any common stock equivalents.

The following table reconciles the weighted-average shares outstanding for basic and diluted net (loss) income per share for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31, 2014	2013
Basic:		
Net (loss) income	$ (383,672)	$ 19,144
Weighted average shares used in computing basic earnings per share	5,101,770	5,101,770
Net (loss) income per share - Basic	$ (0.08)	$ 0.00
Diluted:		
Net (loss) income	$ (383,672)	$ 19,144
Weighted average shares used in computing basic earnings per share	5,101,770	5,101,770
Net (loss) income per share - Diluted	$ (0.08)	$ 0.00

6. DEBT

Revolving Line of Credit — The Company has an agreement with TD Bank for a revolving line of credit maturing on August 29, 2014 for up to $1,215,000. The line of credit has a variable rate of interest per annum at the Wall Street Journal prime rate plus 1% (4.25% as of March 31, 2014 and December 31, 2013). The line of credit is collateralized by all the Company's assets and is guaranteed by the majority shareholder of the Company. The outstanding balance as of March 31, 2014 and December 31, 2013 was $1,215,000 and $1,015,000 respectively.

Santander Bank (formerly Sovereign Bank) Loan Agreement — The Company has a term loan, originally established to provide the Company revolving advances up to $100,000, with an interest rate 7.74% per annum. The term loan is being repaid and matures on July 29, 2014. The amount outstanding under this term loan was $6,667 and $11,667 as of March 31, 2014 and December 31, 2013, respectively.

Convertible Note — On September 23, 2013, the Company issued a convertible promissory note in the amount of $500,000 to an accredited investor, AAMD, LLC that matures on March 23, 2016. The convertible note accrues interest at the rate of 7.0% per year and all principal and interest are due and payable on the maturity date, March 23, 2016. If, prior to the maturity date, the Company completes the IPO of its common stock, the note will be automatically converted into the number of common stock equivalent to the outstanding principal and accrued interest amount of the note divided by the applicable conversion price immediately. The applicable conversion price is equal to 90% of the per-share issuance price of the common stock issued for the Company's initial public offering.

As of March 31, 2014 and December 31, 2013, the carrying value of the convertible note payable was $484,196 and $472,429, including $23,534 and $11,767 of accrued interest, respectively.

The Company reviewed the terms of convertible debt and equity instruments issued to determine whether there are embedded derivative instruments, including embedded conversion options that are required to be bifurcated and accounted for separately as a derivative financial instrument. The automatic conversion feature of this promissory note has the economic characteristics of a contingent redemption because the total fair value of shares delivered to settle this feature will always be equal to a fixed amount regardless of the IPO price. Consequently, in substance, the automatic conversion feature has the economic characteristics of a contingent early redemption of the convertible note using shares rather than cash (i.e., stock-settled debt), and represents an embedded derivative instrument under ASC 815-15-25 that is required to be accounted from separately from the debt instruments.

The Company accounted for the automatic conversion feature as a derivative liability to be recorded at fair value at each reporting period. The value of the derivative liability will be re-measured at each reporting period with changes in fair value included in earnings. The fair value of the automatic conversion feature at March 31, 2014 and December 31, 2013 was estimated to be $39,097 and $38,142 and is included in other long-term liabilities on the condensed consolidated balance sheets.

Maturities of notes payable as of March 31, 2014 are as follows:

Years Ending December 31	Santander Bank	Liability Against Assets Subject to Finance Lease	Loan from Om Soni	Medical Management, LLC	GlobalNet Solutions, Inc.	Metro Medical	Loan from Majority Shareholder	Loan from AAMD, LLC	Bank Direct Capital Finance	Total
2014	$ 6,667	$ 5,394	$ 36,748	$ 52,606	$ 29,659	$ 458,258	$ -	$ -	$ 22,050	$ 611,382
2015	-	3,451	-	-	-	421,989	735,680	-	-	1,161,120
2016	-	415	-	-	-	-	-	484,196	-	484,611
Total	$ 6,667	$ 9,260	$ 36,748	$ 52,606	$ 29,659	$ 880,247	$ 735,680	$ 484,196	$ 22,050	$ 2,257,113

7. COMMITMENTS AND CONTINGENCIES

Legal Proceedings — The Company is subject to legal proceedings and claims which have arisen in the ordinary course of business and have not been fully adjudicated. These actions, when ultimately concluded and determined, will not, in the opinion of management, have a material adverse effect upon the condensed consolidated financial position, results of operations, or cash flows of the Company.

At December 31, 2013, the Company had accrued a liability of $161,137 for a referral fee payable to a former owner of Sonix Medical Technologies, Inc. During the three months ended March 31, 2014, the Company agreed to settle the liability for $55,614 and reversed an accrued expense of $105,523, which reduced general and administrative expenses in the condensed consolidated statements of operations.

Leases — The Company leases certain office space and other facilities under operating leases expiring through 2021.

Future minimum lease payments under non-cancelable operating leases with related parties as of March 31, 2014 are as follows (leases with non-related parties are all cancellable):

Years Ending December 31		Total
2014	$	123,553
2015		72,750
2016		75,750
2017		58,500
Total	$	330,553

Total rental expense, included in direct operating costs and general and administrative expense in the condensed consolidated statements of operations, including amounts for related party leases described in Note 8, amounted to $105,150 and $95,036 for the three months ended March 31, 2014 and 2013, respectively.

8. RELATED PARTIES

In February 2013, the majority shareholder advanced a loan of $1,000,000 to the Company, of which a portion was used to repay the outstanding balance on the revolving credit line with TD Bank; $735,680 was outstanding on this loan as of March 31, 2014 and December 31, 2013, respectively. The loan bears an annual interest rate of 7.0%. The total principal and outstanding interest are due upon maturity of the loan on July 5, 2015. The Company recorded interest expense on the loan from the majority shareholder of $12,698 for the three months ended March 31, 2014. During the three months ended March 31, 2014, the Company paid the accrued interest of $55,807.

The Company had sales to a related party, a physician who is related to an officer and the majority shareholder. Revenues from this customer were approximately $4,736 and $4,176 for the three months ended March 31, 2014 and 2013, respectively. As of March 31, 2014 and December 31, 2013, the receivable balance due from this customer was $1,810 and $1,746, respectively.

The Company is a party to a nonexclusive aircraft dry lease agreement with Kashmir Air, Inc. (“KAI”), which is owned by an officer and the majority shareholder. The Company recorded expenses of $32,100 for both the three months ended March 31, 2014 and 2013, respectively. As of March 31, 2014 and December 31, 2013, the Company had a liability outstanding to KAI of $55,568 and $37,789, respectively.

The Company leases its corporate offices in New Jersey and its backup operations center in Bagh, Pakistan, from an officer and the majority shareholder. The related party rent expense for the three months ended March 31, 2014 and 2013 was $42,231 and $41,533, respectively, and is included in direct operating costs and general and administrative expense in the condensed consolidated statements of operations. Current assets-related party on the condensed consolidated balance sheets includes security deposits related to the leases of the Company’s corporate offices in the amount of $13,200 as of March 31, 2014 and December 31, 2013, respectively. Other assets include prepaid rent that has been paid to the majority shareholder in the amount of $10,640 as of December 31, 2013, respectively.

The majority shareholder of the Company guaranteed the Company’s existing line of credit with the TD Bank and the loan with Santander Bank (see Note 6).

The Company advanced $1,000 and $5,000 to the majority shareholder during the three months ended March 31, 2014 and 2013, respectively. The majority shareholder repaid $1,000 during the three months ended March 31, 2014.

9. EMPLOYEE BENEFIT PLANS

The Company has a qualified 401(k) plan covering all U.S. employees who have completed three months of service. The plan provides for matching contributions by the Company equal to 100% of the first 3% of the qualified compensation deferred, plus 50% of the next 2% deferred. Employer contributions to the plan for three months ended March 31, 2014 and 2013 were $15,080 and $1,898, respectively.

Additionally, the Company has a defined contribution retirement plan covering all employees located in Pakistan who have completed 90 days of service. The plan provides for monthly contributions by the Company which are the lower of 10% of qualified employees' basic monthly compensation or Rs. 750. The Company's contributions for three months ended March 31, 2014 and 2013 were $20,331 and $19,323, respectively.

10. INCOME TAXES

Because a relatively small change in our projected pre-tax net income (loss) could result in a volatile annual effective tax rate, we have used a discrete tax approach in calculating the tax benefit for the three months ended March 31, 2014. Under the discrete method, we determine our tax (expense) benefit based upon actual results as if the interim period were an annual period.

For the three months ended March 31, 2013 the Company estimated the effective rate based upon the annual projected pre-tax income (loss).

The Company's plan to repatriate earnings in Pakistan to the United States requires that U.S. Federal taxes be provided on the Company's earnings in Pakistan. For state tax purposes, the Company's Pakistan earnings generally are not taxed due to a subtraction modification available in most states. As a result, the Company has reported cumulative losses at the state level for the last three years, and has determined that it is more likely than not that it will not be able to utilize its state deferred tax assets. A valuation allowance has been recorded against all state deferred tax assets as of March 31, 2014.

11. OTHER (EXPENSE) INCOME – NET

Other (expense) income net for the three months ended March 31, 2014 and 2013 consisted of the following:

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Foreign exchange (losses) gains	$ (203,264)	$ 25,506
Other - net	3,379	11,509
Other (expense) income - net	(199,885)	37,015

Foreign currency transaction gains/losses result from the transactions related to the intercompany receivable for which transaction adjustments are recorded in the consolidated statements of operations as they are not deemed to be permanently reinvested. A decline in the exchange rate of Pakistan rupees per U.S. dollar by 8% from December 31, 2013 to March 31, 2014, caused a foreign exchange loss of $203,264 for the three months ended March 31, 2014. An increase in the exchange rate of Pakistan rupees per U.S. dollar by 2% from December 31, 2012 to March 31, 2013, caused a foreign exchange gain of $25,506 for the three months ended March 31, 2013.

Other – net, primarily includes amounts related to bad debts recovered, gains on disposal of assets and other expenses.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

As of March 31, 2014 and December 31, 2013, the carrying amounts of cash, receivables, accounts payable and accrued expenses approximated their estimated fair values because of their short term nature of these financial instruments.

The following table summarizes the Company's financial instruments that are not measured at fair value on a recurring basis by fair value hierarchy as of March 31, 2014 and December 31, 2013:

	Carrying value at March 31, 2014	Fair Value as of March 31, 2014, using, Level 1	Level 2	Level 3	Total
Financial Assets					
Cash	$ 306,504	$ 306,504	$ -	$ -	$ 306,504
Financial Liabilities					
Borrowing under line of credit	1,215,000	-	1,215,000	-	1,215,000
Notes payable - Other(1)	1,037,237	-	-	1,033,880	1,033,880
Convertible note	484,196	-	-	484,527	484,527

	Carrying value at December 31, 2013	Fair Value as of December 31, 2013, using, Level 1	Level 2	Level 3	Total
Financial Assets					
Cash	$ 497,944	$ 497,944	$ -	$ -	$ 497,944
Financial Liabilities					
Borrowing under line of credit	1,015,000	-	1,015,000	-	1,015,000
Notes payable - Other(1)	1,341,691	-	-	1,349,308	1,349,308
Convertible note	472,429	-	-	473,042	473,042

(1) Excludes note payable to the majority shareholder

Note Payable to Majority Shareholder - The majority shareholder advanced a loan of $1,000,000 to the Company, of which $735,680 was outstanding as of March 31, 2014 and December 31, 2013. The loan bears an annual interest rate of 7.0%. The total principal and cumulative interest are due upon maturity of the loan on July 5, 2015. The fair value of related party transactions, including note payable to majority shareholder, cannot be determined based upon the related party nature of the transaction.

Borrowings under Revolving Line of Credit – The Company's outstanding borrowings under the line of credit with TD Bank had a carrying value of $1,215,000 and $1,015,000 as of March 31, 2014 and December 31, 2013, respectively. The fair value of the outstanding borrowings under the line of credit with TD Bank approximated the carrying value at March 31, 2014 and December 31, 2013, respectively, as these borrowings bear interest based on prevailing variable market rates currently available. As a result, the Company categorizes these borrowings as Level 2 in the fair value hierarchy.

Notes Payable-Other – Notes payable-other consists of fixed rate term loans from TD Bank, Santander Bank, Bank Direct Capital Finance, auto loans and promissory notes from prior acquisitions.

The fixed interest bearing term loans payable to Santander Bank and Bank Direct Capital Finance had a carrying value of $28,717 and $11,667 as of March 31, 2014 and December 31, 2013, respectively. Collectively, the fair value of these term loans was approximately $29,273 and $11,801 at March 31, 2014 and December 31, 2013, respectively, and is categorized as Level 3 in the fair value hierarchy. The fair value of the term loans was determined based on internally-developed valuations that use current interest rates in developing a present value of these term loans. The outstanding fixed interest bearing auto loans had a carrying value of $9,260 and $13,279 as of March 31, 2014 and December 31, 2013, respectively. The fair value of these auto loans was approximately $8,444 and $12,485 at March 31, 2014 and December 31, 2013, respectively, and is categorized as Level 3 in the fair value hierarchy. The fair value of the auto loans was determined based on internally-developed valuations that use current interest rates in developing a present value of these notes payable.

The Company issued fixed interest-bearing notes payable to the former owners of UPMS, GNet, MM, Metro Medical and Sonix Medical Technologies, Inc. The aggregate carrying value of these notes payable was $999,260 and $1,316,746 at March 31, 2014 and December 31, 2013, respectively. Collectively, the fair value of these notes payable was approximately $1,004,607 and $1,325,022 at March 31, 2014 and December 31, 2013, respectively, and is categorized as Level 3 in the fair value hierarchy. The fair value of the notes payable to the former owners of businesses acquired was determined based on internally-developed valuations that use current interest rates in developing a present value of these notes payable.

Convertible Note – The Company issued a fixed interest bearing convertible promissory note to an accredited investor on September 23, 2013. The carrying value of the convertible promissory note was $484,196 and $472,429 at March 31, 2014 and December 31, 2013, respectively. The fair value of the convertible promissory note was approximately $484,527 and $473,042 at March 31, 2014 and December, 31, 2013, respectively, and is categorized as Level 3 in the fair value hierarchy. The fair value was determined based on internally-developed valuations that use current interest rates in developing a present value of the convertible note.

Financial instruments measured at fair value on a recurring basis:

The automatic conversion feature for the convertible promissory note is measured at fair value on a recurring basis. The fair value of the automatic conversion feature has been estimated at $39,097 and $38,142 at March 31, 2014 and December 31, 2013, respectively, with the decrease in value recorded in the statement of operations as other expense. The fair value of automatic conversion feature of the promissory note is measured using Level 3 inputs based on internally-developed valuations that use current interest rates and assumptions about the timing of the Company's IPO.

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated Other Comprehensive Loss — The components of changes in accumulated other comprehensive loss are as follows:

	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Loss
Balance - January 1, 2014	$ (187,354)	$ (187,354)
Other comprehensive income during the year	130,829	130,829
Balance - March 31, 2014	$ (56,525)	$ (56,525)

14. SUBSEQUENT EVENTS

Updated Certificate of Incorporation

Common Stock

On April 4, 2014, the Company filed with the State of Delaware an Amended and Restated Certificate of Incorporation, pursuant to which the Company increased the authorized shares of capital stock and consummated an 8.65-for-1 split of its outstanding common stock, which is reflected throughout these interim condensed consolidated financial statements. The amount of authorized capital stock was also increased.

The total amount of the Company's authorized capital stock now consists of 19,000,000 shares of Common Stock, par value $0.001 per share, and 1,000,000 shares of undesignated preferred stock.

The Company's common stock is not entitled to preemptive or other similar subscription rights to purchase any of the Company's securities. The Company's common stock is neither convertible nor redeemable.

Voting Rights

Each holder of the Company's common stock is entitled to one vote per share on each matter submitted to a vote of stockholders. The Company's amended and restated bylaws provide that the presence, in person or by proxy, of holders of shares representing a majority of the outstanding shares of capital stock entitled to vote at a stockholders' meeting shall constitute a quorum. When a quorum is present, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter is required to take action, unless otherwise specified by law or the Company's certificate of incorporation, and except for the election of directors, which is determined by a plurality vote. There are no cumulative voting rights.

Dividend Rights

Each holder of shares of the Company's capital stock will be entitled to receive such dividends and other distributions in cash, stock or property as may be declared by the Company's Board of Directors from time to time out of the Company's assets or funds legally available for dividends or other distributions. These rights are subject to the preferential rights of any other class or series of the Company's preferred stock.

The Company does, and intends to continue to, retain all available funds and any future earnings to fund the development and growth of the Company's business, and therefore the Company does not anticipate paying any cash dividends in the foreseeable future. Additionally, the Company's ability to pay dividends on the Company's common stock will be limited by restrictions on the ability of the Company or its subsidiary to pay dividends or make distributions under the terms of any future agreements governing the Company's indebtedness. There are currently no restrictions on the ability of the subsidiary to make dividend payments to the parent company. Any future determination to pay dividends will be at the discretion of the Company's Board of Directors, subject to compliance with covenants in the Company's current and future agreements governing the Company's indebtedness, and will depend upon the Company's results of operations, financial condition, capital requirements and other factors that the Company's Board of Directors deems relevant.

Other Rights

The rights of each holder of common stock are subject to, and may be adversely affected by, the rights of the holders of any series of preferred stock that the Company may designate and issue in the future.

Liquidation Rights

If the Company is involved in a consolidation, merger, recapitalization, reorganization, or similar event, each holder of common stock will participate pro rata in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding.

Preferred Stock

The Company does not have any shares of preferred stock outstanding. The Company's Board of Directors has the authority to issue shares of preferred stock from time to time on terms it may determine, to divide shares of preferred stock into one or more series and to fix the designations, preferences, privileges, and restrictions of preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preference, sinking fund terms, and the number of shares constituting any series or the designation of any series to the fullest extent permitted by the General Corporation Law of the State of Delaware (the "DGCL"). Capital Structure prior to April 4, 2014.

Prior to April 4, 2014, the Company had 589,900 shares of common stock, par value $0.001 per share issued and outstanding, and 1,000,000 shares authorized.

Others

The Company has evaluated whether any events have occurred from March 31, 2014 through 4, May 7, 2014, the date the financial statements were originally available to be issued, that require consideration as adjustments to, or disclosures in, the condensed consolidated financial statements.

The Company has updated this evaluation through July 14, 2014 in connection with a Registration Statement on Form S-1 to be filed with the Securities and Exchange Commission.

There are no significant events that require disclosure in these consolidated financial statements, except as follows:
On July 10, 2014, the Company renegotiated purchase prices for the target companies prior to its initial public offering. The Updated Target Agreements include an amended total purchase price of approximately $19.4 million, including fixed cash consideration of approximately $11.3 million and issuance of common stock valued at approximately $8.1 million, (net of an estimated fair value adjustment of $349,000) plus the net proceeds of overallotment sold by the underwriters, if any