



National Health Finance HoldCo, LLC & Affiliated Companies

Consolidated Financial Statements
and Supplementary Information

December 31, 2016 and 2015

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PRICE KONG

C P A S • C O N S U L T A N T S

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members
of National Health Finance HoldCo, LLC & Affiliated Companies

We have audited the accompanying consolidated financial statements of National Health Finance HoldCo, LLC & Affiliated Companies, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Health Finance HoldCo, LLC & Affiliated Companies as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information presented on pages 18 through 26 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Price, Kong, & Co., C.P.A.'s, P.A.
Phoenix, Arizona
March 27, 2017

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Consolidated Balance Sheets

December 31, 2016 and 2015

ASSETS

	2016	2015
Assets		
Cash and cash equivalents	\$ 213,958	\$ 20,113
Restricted cash	1,000,000	1,000,000
Cases in process	196,095,161	120,993,458
Allowance for uncollectible cases in process	(66,672,357)	(37,507,973)
Cases in Process, Net	129,422,804	83,485,485
Notes and interest receivable	297,930	297,930
Allowance for uncollectible notes and interest	(297,930)	(297,930)
Notes Receivable, Net	-	-
Notes and interest receivable from related parties	17,717	118,821
Intangible assets, net of accumulated amortization	820,698	-
Other assets	90,078	10,078
Total Other Assets	928,493	128,899
Total Assets	<u>\$ 131,565,255</u>	<u>\$ 84,634,497</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities		
Accounts payable	\$ 1,506,017	\$ 1,118,963
Accrued interest payable	698,974	177,660
Accrued payroll and other liabilities	961,972	132,070
Convertible note payable	12,910,310	-
Notes payable to related parties - subordinated	10,229,020	4,080,000
Other subordinated debt	2,300,000	1,650,000
Bank Debt		
Revolving line of credit	28,179,006	28,572,279
Notes payable	8,101,852	-
Total Liabilities	64,887,151	35,730,972
Members' Equity		
NHF members' equity	63,780,550	46,392,955
Non-controlling interest	2,897,554	2,510,570
Total Members' Equity	66,678,104	48,903,525
Total Liabilities and Members' Equity	<u>\$ 131,565,255</u>	<u>\$ 84,634,497</u>

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

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES**Consolidated Statements of Operations**
For the Years Ended December 31, 2016 and 2015

	2016	2015
Service revenue	\$ 114,560,970	\$ 73,798,662
Provision for uncollectible service revenue	<u>(45,468,074)</u>	<u>(24,933,872)</u>
Revenues, Net	69,092,896	48,864,790
Cost of Services	<u>33,325,975</u>	<u>22,989,110</u>
Gross Profit	35,766,921	25,875,680
General and Administrative Expenses	<u>5,260,293</u>	<u>3,668,530</u>
Income From Operations	30,506,628	22,207,150
Other Income (Expense)		
Interest income	7,863	146,869
Amortization expense	(179,445)	-
Interest expense	<u>(3,904,987)</u>	<u>(2,036,727)</u>
Total Other Income (Expense)	<u>(4,076,569)</u>	<u>(1,889,858)</u>
Net Income	<u>\$ 26,430,059</u>	<u>\$ 20,317,292</u>

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

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES**Consolidated Statements of Members' Equity
For the Years Ended December 31, 2016 and 2015**

	<u>NHF HoldCo LLC Members' Equity</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Members' Equity, January 1, 2015	\$ 27,421,031	\$ 2,322,560	\$ 29,743,591
Net income	19,827,841	489,451	20,317,292
Contributions	282,378	-	282,378
Distributions	<u>(1,138,295)</u>	<u>(301,441)</u>	<u>(1,439,736)</u>
Members' Equity, December 31, 2015	46,392,955	2,510,570	48,903,525
Net income	25,786,093	643,966	26,430,059
Contributions	2,187,068	-	2,187,068
Distributions	<u>(10,585,566)</u>	<u>(256,982)</u>	<u>(10,842,548)</u>
Members' Equity, December 31, 2016	<u>\$ 63,780,550</u>	<u>\$ 2,897,554</u>	<u>\$ 66,678,104</u>

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

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Consolidated Statements of Cash Flows For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Net income	\$ 26,430,059	\$ 20,317,292
Adjustments to reconcile net income to net cash used for operating activities:		
Provision for uncollectible cases in process	29,164,384	18,236,742
Amortization expense	179,445	-
(Increase) Decrease in operating assets:		
Cases in process	(75,101,703)	(52,167,631)
Other assets	(80,000)	(5,000)
Increase (decrease) in operating liabilities:		
Accounts payable	387,054	(312,226)
Accrued interest	521,314	78,227
Accrued payroll and other liabilities	829,902	(18,770)
Net Cash Used For Operating Activities	(17,669,545)	(13,871,366)
Cash Flows from Investing Activities:		
Change in accrued interest of related party note receivable	101,104	34,505
Net Cash Provided by Investing Activities	101,104	34,505
Cash Flows from Financing Activities:		
Payments for loan origination fees	(1,000,143)	-
Proceeds from issuance of convertible note payable	12,910,310	-
Principal payments on notes payable to related parties - subordinated	(1,465,000)	(724,538)
Proceeds from issuance of notes payable to related parties - subordinated	7,814,020	544,538
Principal payments on other subordinated debt	(150,000)	(50,000)
Proceeds from issuance of other subordinated debt	600,000	500,000
Principal payments on revolving line of credit	(30,688,398)	(18,632,220)
Proceeds from issuance of revolving line of credit	30,295,125	39,454,499
Principal payments on bank notes payable	(5,106,481)	(7,648,054)
Proceeds from issuance of bank notes payable	13,208,333	581,919
Distributions to members	(10,842,548)	(1,439,736)
Contributions from members	2,187,068	282,378
Net Cash Provided by Financing Activities	17,762,286	12,868,786
Net Change in Cash and Cash Equivalents	193,845	(968,075)
Cash and Cash Equivalents - Beginning of Period	20,113	988,188
Cash and Cash Equivalents - End of Period	\$ 213,958	\$ 20,113
Supplemental Disclosure of Cash Flow Information		
Interest paid during the period	\$ 3,383,673	\$ 1,958,500

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

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 1 – Principal Business Activity and Significant Accounting Policies

Principal Business Activity

National Health Finance HoldCo, LLC & Affiliated Companies (“the Company”) is a Delaware Limited Liability Company formed in June 2016. The Company was formerly known as National Health Finance DM, LLC & Affiliated Companies, which was an Arizona Limited Liability Company formed in September 2001 to be a leading provider of financing for medical services.

On June 3, 2016, National Health Finance DM, LLC entered into an equity investment agreement with an investor group that resulted in the restructuring of the Company’s ownership. Existing majority owners of National Health Finance DM, LLC and Affiliated Companies transferred their ownership interest into a new holding company, National Health Finance HoldCo, LLC. All relevant transactions related to the investment have been recorded on the accompanying consolidated financial statements.

The Company finances its clients’ medical treatment and is repaid when the clients’ accounts are settled. Income is generated from the difference between the settlement and the cost of the medical treatment.

Principles of Consolidation

The consolidated financial statements include the accounts of National Health Finance HoldCo, LLC (“NHF”) as well as those of the following affiliated companies which are variable interest entities in which NHF is the primary beneficiary:

- National Health Finance DM, LLC
- National Health Finance of Florida, LLC
- National Health Finance of Florida 2, LLC
- Nevada Orthopedic and Spinal Financing, LLC
- Old Pueblo Medical Financing, LLC
- Old Pueblo Medical Financing of Delaware, LLC
- Southwest Medical Financing, LLC
- Nevada Health Finance, LLC
- Silver State Surgical Solutions, LLC
- SMD Medical Finance, LLC
- Lone Star Lien Solutions, LLC
- National Medical Finance & Assistance, LLC
- DFW Medical Finance, LLC
- Complete Health Network, LLC
- Oklahoma Health Finance, LLC
- Tristate Medical Finance, LLC
- Bayou Health Finance, LLC
- Louisiana HealthNet Solutions, LLC
- New Mexico Medical Financing, LLC

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 1 – Principal Business Activity and Significant Accounting Policies – continued

Principles of Consolidation - continued

- Southern California Injury Treatment Network, LLC
- California Health Finance, LLC
- Injury Medical Network, LLC
- Metroplex Medical Finance, LLC
- Southwest Injury Services, LLC
- New Mexico Health Finance, LLC
- North Texas Medical Finance, LLC
- Northwest Health Network, LLC
- Great Salt Lake Medical Finance, LLC
- Bay Area Medical Finance, LLC
- Northern Florida Medical Finance, LLC
- Medical Finance Group, LLC

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

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less. There were no cash equivalents as of December 31, 2016 and 2015.

Cases in Process and Allowance for Uncollectible Cases in Process

Cases in process are uncollateralized client obligations for medical bills incurred. The Company provides financing for the medical bills incurred by the client until the client's case is settled, at which time payment is due. Cases in process are stated at the amount of medical bills incurred by the client. Payments on the account are applied against the account balance as a whole without regard as to the timing of the underlying invoices. Accounts are considered delinquent in the event that the case does not settle for enough money to cover the Company's cost and the client fails to repay the balance owed to the Company within 30 days of settlement.

The Company estimates an allowance for uncollectible cases in process based upon an evaluation of the current status of cases, historical trend experience, and other factors as necessary. It is reasonably possible that the Company's estimate of the allowance for uncollectible cases in process will change.

Intangible Assets

During 2016, the Company incurred loan origination fees due to debt acquired through the investor group agreement. These loan origination fees are capitalized as intangible assets on the balance sheet and are shown net of amortization. Amortization expense and accumulated amortization for the year ended December 31, 2016, was \$179,445.

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 1 – Principal Business Activity and Significant Accounting Policies – continued

Estimates

Financial statements that are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes Receivable

Notes receivable represent amounts from uncollateralized obligations due under extended payments terms exceeding one year. The Company evaluates the collectability of the balances based upon historical experience and the specific circumstances of individual notes, with an allowance for uncollectible notes and interest thereon being provided if necessary.

Restricted Cash for Compensating Balance

The Company, under the terms of its loan agreement with a bank, has agreed to maintain a compensating balance of \$1,000,000 of the proceeds from the loan. At December 31, 2016 and 2015, \$1,000,000 of restricted cash is recognized, respectively.

Revenue Recognition

The Company recognizes service revenue when persuasive evidence of an arrangement exists, contracts have been negotiated, financing services have been rendered for medical bills incurred, and collectability is reasonably assured. The Company records medical bills at the amount incurred by the client, and the Company has agreements with various medical providers to pay the medical bills incurred at amounts different than the amount billed. Payment arrangements are individually negotiated with the medical provider. Net client service revenue is reported at the net realizable amounts from clients after providing an estimate for cases in process that may not be collected.

Income Taxes

As limited liability companies, the Company’s taxable income or loss is allocated to members in accordance with their respective percentage of ownership. Therefore, no provision for income taxes has been included in the consolidated financial statements.

U.S. GAAP require management to perform an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Company’s income tax returns to determine whether the income tax positions meet a “more likely than not” standard of being sustained under examination by the applicable taxing authorities. This evaluation is required to be performed for all open tax years, as defined by the various statutes of limitations, for Federal and state purposes.

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 1 – Principal Business Activity and Significant Accounting Policies – continuedIncome Taxes – continued

With limited exceptions, the Company is no longer subject to income tax examination for returns filed more than three years ago. Management has performed an evaluation of income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the “more likely than not” standard. Accordingly, there are no provisions for income taxes, penalties, or interest receivable or payable relating to uncertain tax positions in the accompanying consolidated financial statements.

Advertising

Advertising costs are expensed as incurred. Such costs were \$38,841 and \$28,386 for the years ended December 31, 2016 and 2015, and are reported as general and administrative expenses in the accompanying consolidated statements of operations.

Compensated Absences

Management believes that any liability for accrued compensated absences is not significant to the financial statements and therefore, there has been no accrual for compensated absences.

Subsequent Events

Subsequent events have been evaluated through March 27, 2017, the date on which the consolidated financial statements were available to be issued.

Note 2 – Cases in Process and Allowance for Uncollectible Cases in Process

All of the cases in process are pledged as collateral on the revolving line of credit.

The following tables presents informative data regarding the age of cases in process as of December 31, 2016 and 2015. The Company does not charge interest on its receivables.

		2016			
		Days Outstanding			
Aged cases in process	1-90 days	91-300 days	301-539 days	540+ days	Total
	<u>\$ 16,330,515</u>	<u>\$ 54,229,818</u>	<u>\$ 73,065,237</u>	<u>\$ 52,469,591</u>	<u>\$ 196,095,161</u>
		2015			
		Days Outstanding			
Aged cases in process	1-90 days	91-300 days	301-539 days	540+ days	Total
	<u>\$ 37,951,621</u>	<u>\$ 20,948,653</u>	<u>\$ 25,156,567</u>	<u>\$ 36,936,617</u>	<u>\$ 120,993,458</u>

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 2 – Cases in Process and Allowance for Uncollectible Cases in Process – continued

The allowance for uncollectible cases in process is determined based on historical collection rates. As of December 31, 2016 and 2015, the allowance was \$66,672,357 and \$37,507,973, respectively.

Note 3 – Notes Receivable

In 2011, the Company extended two unsecured loans to unrelated parties in the amounts of \$150,000 and \$50,000, with original repayment date beginning in January 2012. Accrued interest on the notes receivable was \$97,930 as of December 31, 2016 and 2015, respectively. Management is attempting to collect the loans or renegotiate its terms. As of December 31, 2016 and 2015, management considers these notes to be uncollectible and has provided an allowance in the amount of \$297,930, respectively.

Note 4 – Notes Receivable from Related Parties

In 2012, the Company extended a \$213,423 loan to DMR Body Shop, LLC (“DMR”), a company affiliated through common ownership. The loan accrues interest at 25% per annum, with 24 equal payments of principal and interest due beginning January 15, 2014. The loan is guaranteed by the majority members of DMR. The outstanding balance was \$1,660 and \$118,821 as of December 31, 2016 and 2015, respectively.

During 2016, an affiliated entity to the Company extended a \$16,057 advance to a member of that affiliated entity. The advance is to be paid back through future distributions to that member according to the operating agreement. The outstanding balance was \$16,057 at December 31, 2016.

Note 5 – Bank Debt

The Company has a revolving line of credit and bridge loan agreements. The revolving line provides for available borrowings of \$30,000,000, less a \$1,000,000 liquidity reserve. The bridge loans provide for additional available borrowings of \$10,000,000.

The revolving line matures in May of 2018, at which point the line becomes a term loan requiring the Company to repay outstanding balance in 36 monthly payments of principal and interest. The bridge loans matured during 2016, and became term loans with balance due in 36 monthly payments of principal and interest. Borrowings under the revolving line of credit bear interest at Prime rate plus 3.50%, with a minimum floor of 6.75%. The rate was approximately 7.25% and 7% as of December 31, 2016 and 2015, respectively. The amounts outstanding on the revolving line of credit totaled \$28,179,006 and \$28,572,279 at December 31, 2016 and 2015, respectively. Amounts outstanding on the bridge loans turned term notes totaled \$8,101,852 at December 31, 2016. The revolving line and bridge loans are secured by receivables, a term life insurance policy on one of the members, and personal guarantees of the majority members.

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 5 – Bank Debt – continued

Borrowings under the line of credit are subject to certain covenants and restrictions on indebtedness and distribution payments. As of December 31, 2016, the Company is not in violation of any of these covenants or restrictions.

The following are future minimum payments on the term loans as of December 31, 2016:

Year ending December 31,	
2017	\$ 3,181,811
2018	3,420,314
2019	1,499,727
Total	<u>\$ 8,101,852</u>

Note 6 – Convertible Note Payable

In June 2016, the Company entered into a convertible note agreement for \$12,910,310 at an interest rate of 6% with an investor group. Unless converted, all unpaid principal and interest shall be due June 2021. The note is secured by the Company. If executed, the conversion allows for the investor group to acquire a 37.5% ownership stake (fully diluted) in the Company. As of December 31, 2016, the investor group had not elected to convert the note and the balance on the note was \$12,910,310.

As of December 31, 2016, interest expense related to the convertible note was \$456,424.

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NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 7 – Subordinated Notes Payable

During 2016, a note payable was reclassified from related parties – subordinated debt to other subordinated debt due to the member selling all of their interest in the Company (see Note 8).

The Company entered into a funding and management agreement with a third party for \$600,000 in October 2016. The amount was used to partially fund a one-time bulk purchase of personal-injury-protection accounts. The agreement calls for the loan to be paid back as the Company collects on the purchased accounts according to the third party's share of interest in said purchase. Irrespective of when, whether, or if the accounts are collected, the Company has agreed to pay back the loan in full, with 23.30% interest, by February 2019.

The Company has subordinated notes payable outstanding as of December 31, 2016 and 2015 as shown below. In accordance with the amended subordination agreements, principal repayments will commence upon approval by the Bank or after all debt to the Bank has been paid in full.

	2016	2015
12% subordinated note payable, simple interest payable quarterly, guaranteed by the majority members.	\$ 1,000,000	\$ 1,000,000
23.30% subordinated note payable, simple interest payable as maturity, guaranteed by the majority members.	600,000	-
13% subordinated note payable, simple interest payable quarterly, guaranteed by the majority members.	300,000	450,000
12% subordinated note payable, simple interest payable quarterly, guaranteed by the majority members.	200,000	-
12% subordinated note payable, simple interest payable quarterly, guaranteed by the majority members.	200,000	200,000
Total subordinated notes payable	<u>\$ 2,300,000</u>	<u>\$ 1,650,000</u>

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 8 – Subordinated Notes Payable to Related Parties

The notes payable to related parties are subordinated and accordingly, principal repayments will commence upon approval by the Bank or after all debt to the Bank has been paid in full.

During 2016, the note payable to a related party of a member of affiliated companies was reclassified to other subordinated debt due to the member selling all of their interest in the Company (see Note 6).

	<u>2016</u>	<u>2015</u>
20% subordinated note payable of \$1,900,000 to a related party who is a member of an affiliated company. Simple interest payable quarterly, guaranteed by the majority members.	\$ -	\$ 975,000
12% subordinated note payable to a related party of a member of affiliated companies. Simple interest payable quarterly, guaranteed by the majority members.	-	200,000
Subordinated notes payable at various interest rates to a related party who is a member of the affiliated companies, including NHF. Simple interest payable quarterly, guaranteed by the members.	1,074,020	1,352,500
8% subordinated note payable to related parties who are members of the affiliated companies, including NHF. Simple interest payable quarterly, guaranteed by the members.	5,000,000	-
Subordinated notes payable at various interest rates to a related party who is a member of the affiliated companies, including NHF. Simple interest payable quarterly, guaranteed by the members.	<u>4,155,000</u>	<u>1,552,500</u>
Total subordinated notes payable to related parties	<u>\$ 10,229,020</u>	<u>\$ 4,080,000</u>

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 9 – Operating Lease

The Company leases an office space in Chandler, Arizona under a non-cancelable agreement which expires in March 2020, with increasing monthly payments. According to U.S. GAAP, the accounting for non-level lease payments requires the rent expense to be reported on a straight-line method over the life of the lease. Accordingly, the Company has recorded a deferred rent liability, grouped in accrued payroll and other liabilities on the consolidated balance sheet, associated with this lease in the amount of \$45,641 and \$52,377 as of December 31, 2016 and 2015, respectively. Future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	
2017	\$ 121,156
2018	124,642
2019	128,129
2020	32,250
Total	<u>\$ 406,177</u>

Note 10 – Related Party Transactions

The consolidated financial statements of the Company include the following transactions with related parties:

- Notes payable to a majority member to provide working capital, totaling \$4,155,000 and \$1,552,500 as of December 31, 2016 and 2015, respectively. There was a total of \$0 and \$24,538 of principal repayments with cumulative interest expense on the notes of \$330,670 and \$227,563 for the years ended December 31, 2016 and 2015, respectively.
- Notes payable to a majority member to provide working capital, totaling \$1,074,020 and \$1,352,500 with cumulative interest expense of \$134,711 and \$175,563 for the years ended December 31, 2016 and 2015, respectively.
- Notes payable to a company whose owner is also a member of an affiliated company totaling \$0 and \$975,000 as of December 31, 2016 and 2015, respectively. Total principal repayments of \$975,000 and \$700,000 and cumulative interest expense of \$84,338 and \$175,500 were recognized during the years ended December 31, 2016 and 2015, respectively.
- Interest and other payables to related parties totaled \$277,622 and \$174,132 as of December 31, 2016 and 2015, respectively.
- Management fees paid to a member of the Company totaled \$250,000 and \$0 for the years ended December 31, 2016 and 2015, respectively.

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 11 – Variable Interest Entities

A variable interest entity (“VIE”) is an entity that either (1) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support or (2) has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary. The primary beneficiary has both the power to direct the activities that most significantly impact the entity’s economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE.

If NHF determines that it has the operating power and the obligation to absorb losses or receive benefits, NHF consolidates the VIE as the primary beneficiary, and if not, does not consolidate the entity. The Company’s environment constitutes power that is most significant to the entity when it has unconstrained decision-making ability over key operational functions within the entity.

Assets recognized as a result of consolidating VIEs do not necessarily represent additional assets that could be used to satisfy claims against NHF’s general assets. Conversely, liabilities recognized as a result of consolidating VIEs do not necessarily represent additional claims on NHF’s general assets; rather, they represent claims against the specific assets of the consolidated VIE.

NHF is the primary beneficiary of all the affiliated entities listed in Note 1 under “Principles of Consolidation”, which were determined to be variable interest entities. Accordingly, the assets and liabilities and the revenues and expenses of the affiliated entities are included in the accompanying consolidated balance sheet and consolidated statement of operations. NHF reports the affiliated entities’ consolidated net income and members’ equity as a non-controlling interest in the consolidated financial statements.

National Health Finance HoldCo, LLC guarantees, jointly and severally with the consolidated entities, a line of credit used to finance activities within the other entities.

National Health Finance HoldCo, LLC has a management contract with the affiliated companies to manage their accounts receivable and earns a 20% management fee on paid cases. In addition, National Health Finance DM, LLC has intercompany loans to the affiliated companies and charges 20% interest on the intercompany outstanding loans.

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

Note 12 – Concentrations

Concentrations of Credit Risk

The Company maintains its cash accounts in various deposit accounts, the balances of which may periodically be in excess of federally insurable limits during the ordinary course of business.

Major Customers

During the years ended December 31, 2016 and 2015, revenues were recognized from the Company's five largest providers totaling \$23,304,642, or 39%, and \$38,537,756, or 52%, of total revenues, respectively. For the years ended December 31, 2016 and 2015, cases in process from four providers totaled \$18,819,333 or 31% of total cases in process and cases in process from four providers totaled \$55,819,634 or 46% of total cases in process, respectively.

Note 13 – Commitments and Contingencies

The Company is involved in various legal matters that management considers to be in the normal course of business. In management's opinion, all matters will be settled or dismissed without material effect on the Company's financial condition or operations.

* * * * *

SUPPLEMENTARY INFORMATION

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Supplementary Schedule 1 - Consolidating Balance Sheet

December 31, 2016

	National Health Finance HoldCo, LLC	National Health Finance DM, LLC	National Health Finance FL	National Health Finance FL 2	Nevada Orthopedic and Spinal	Old Pueblo Medical Finance	Old Pueblo Medical Finance of Delaware	Southwest Medical Financing
ASSETS								
Assets								
Cash and cash equivalents	\$ -	\$ 213,975	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	1,000,000	-	-	-	-	-	-
Cases in process	-	65,561,547	1,354,916	4,393,358	1,111,572	3,661,857	-	91,212
Allowance for uncollectible cases in process	-	(22,290,926)	(460,671)	(1,493,742)	(377,934)	(1,245,031)	-	(31,012)
Cases in Process, Net	-	43,270,621	894,245	2,899,616	733,638	2,416,826	-	60,200
Notes and interest receivable	-	297,930	-	-	-	-	-	-
Allowance for uncollectable notes and interest	-	(297,930)	-	-	-	-	-	-
Notes Receivable, Net	-	-	-	-	-	-	-	-
Notes and interest receivable from related parties	-	1,660	-	-	-	-	-	-
Management fees receivable	-	50,751	-	-	-	-	-	-
Intercompany loans receivable	10,000,000	34,592,211	-	-	-	-	-	-
Intercompany interest receivable	-	8,144,651	-	-	-	-	-	-
Intangible assets, net of accumulated amortization	-	820,698	-	-	-	-	-	-
Other assets	-	80,078	-	-	-	-	-	-
Total Assets	\$ 10,000,000	\$ 88,174,645	\$ 894,245	\$ 2,899,616	\$ 733,638	\$ 2,416,826	\$ -	\$ 60,200
LIABILITIES AND MEMBERS' EQUITY								
Liabilities								
Accounts payable	\$ -	\$ 590,591	\$ -	\$ -	\$ -	\$ 82,717	\$ -	\$ -
Accrued interest payable	456,424	242,550	-	-	-	-	-	-
Accrued payroll and other liabilities	-	953,427	-	-	614	588	-	-
Management fees payable	-	-	-	999	1,428	12,793	-	-
Intercompany loans payable	-	10,000,000	630,314	651,187	303,412	1,091,499	2,121	(4,758)
Intercompany interest payable	-	-	1,065,146	946,905	239,225	345,493	-	-
Convertible note payable	12,910,310	-	-	-	-	-	-	-
Notes payable to related parties - subordinated	5,000,000	5,229,020	-	-	-	-	-	-
Other subordinated debt	-	2,300,000	-	-	-	-	-	-
Bank Debt								
Revolving line of credit	-	28,179,006	-	-	-	-	-	-
Notes payable	-	8,101,852	-	-	-	-	-	-
Total Liabilities	18,366,734	55,596,446	1,695,460	1,599,091	544,679	1,533,090	2,121	(4,758)
Members' Equity								
NHF members' equity	(8,366,734)	32,578,199	(801,215)	793,320	141,719	441,868	(2,121)	48,719
Non-controlling interest	-	-	-	507,205	47,240	441,868	-	16,239
Total Members' Equity (Deficit)	(8,366,734)	32,578,199	(801,215)	1,300,525	188,959	883,736	(2,121)	64,958
Total Liabilities and Members' Equity	\$ 10,000,000	\$ 88,174,645	\$ 894,245	\$ 2,899,616	\$ 733,638	\$ 2,416,826	\$ -	\$ 60,200

See independent auditors' report.

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Supplementary Schedule 1 - Consolidating Balance Sheet (continued)

December 31, 2016

	Nevada Health Finance	Silver State Surgical	SMD Medical Finance	Lone Star Lien Solutions	National Medical Finance & Assistance	DFW Medical Finance	Complete Health Network	Oklahoma Health Finance
ASSETS								
Assets								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	-	-	-	-	-	-	-
Cases in process	12,000	13,460,337	89,384	1,097,783	90,217,557	355,825	32,707	112,205
Allowance for uncollectible cases in process	(4,080)	(4,576,515)	(30,391)	(373,246)	(30,673,969)	(120,981)	(11,120)	(38,150)
Cases in Process, Net	7,920	8,883,822	58,993	724,537	59,543,588	234,844	21,587	74,055
Notes and interest receivable	-	-	-	-	-	-	-	-
Allowance for uncollectable notes and interest	-	-	-	-	-	-	-	-
Notes Receivable, Net	-	-	-	-	-	-	-	-
Notes and interest receivable from related parties	-	-	-	-	-	-	-	-
Management fees receivable	-	-	-	-	-	-	-	-
Intercompany loans receivable	-	-	-	-	-	-	-	-
Intercompany interest receivable	-	-	-	-	-	-	-	-
Intangible assets, net of accumulated amortization	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total Assets	\$ 7,920	\$ 8,883,822	\$ 58,993	\$ 724,537	\$ 59,543,588	\$ 234,844	\$ 21,587	\$ 74,055
LIABILITIES AND MEMBERS' EQUITY								
Liabilities								
Accounts payable	\$ -	\$ 565,742	\$ -	\$ 42,506	\$ -	\$ -	\$ -	\$ -
Accrued interest payable	-	-	-	-	-	-	-	-
Accrued payroll and other liabilities	-	-	-	407	896	-	-	-
Management fees payable	-	-	-	68	-	-	163	-
Intercompany loans payable	(1,994)	2,951,672	50,471	296,714	24,617,367	131,734	8,924	36,940
Intercompany interest payable	-	400,809	30,170	60,805	4,007,495	61,203	15,070	21,489
Convertible note payable	-	-	-	-	-	-	-	-
Notes payable to related parties - subordinated	-	-	-	-	-	-	-	-
Other subordinated debt	-	-	-	-	-	-	-	-
Bank Debt								
Revolving line of credit	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-
Total Liabilities	(1,994)	3,918,223	80,641	400,500	28,625,758	192,937	24,157	58,429
Members' Equity								
NHF members' equity	5,948	3,972,479	(14,721)	178,220	30,917,830	37,926	(1,246)	12,970
Non-controlling interest	3,966	993,120	(6,927)	145,817	-	3,981	(1,324)	2,656
Total Members' Equity (Deficit)	9,914	4,965,599	(21,648)	324,037	30,917,830	41,907	(2,570)	15,626
Total Liabilities and Members' Equity	\$ 7,920	\$ 8,883,822	\$ 58,993	\$ 724,537	\$ 59,543,588	\$ 234,844	\$ 21,587	\$ 74,055

See independent auditors' report.

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Supplementary Schedule 1 - Consolidating Balance Sheet (continued)

December 31, 2016

	Tristate Medical Finance	Bayou Health Finance	Louisiana Health Network	New Mexico Medical Finance	Southern California Injury Treaty	California Health Finance	Injury Medical Network	Metroplex Medical Finance
ASSETS								
Assets								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ (17)	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	-	-	-	-	-	-	-
Cases in process	1,680,987	3,114,817	223,339	65,411	1,726,698	20,875	3,529,099	12,899
Allowance for uncollectible cases in process	(571,536)	(1,059,038)	(75,935)	(22,240)	(587,077)	(7,098)	(1,199,894)	(4,386)
Cases in Process, Net	1,109,451	2,055,779	147,404	43,171	1,139,621	13,777	2,329,205	8,513
Notes and interest receivable	-	-	-	-	-	-	-	-
Allowance for uncollectable notes and interest	-	-	-	-	-	-	-	-
Notes Receivable, Net	-	-	-	-	-	-	-	-
Notes and interest receivable from related parties	-	-	-	-	-	-	-	-
Management fees receivable	-	-	-	-	-	-	-	-
Intercompany loans receivable	-	-	-	-	-	-	-	-
Intercompany interest receivable	-	-	-	-	-	-	-	-
Intangible assets, net of accumulated amortization	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total Assets	\$ 1,109,451	\$ 2,055,779	\$ 147,404	\$ 43,154	\$ 1,139,621	\$ 13,777	\$ 2,329,205	\$ 8,513
LIABILITIES AND MEMBERS' EQUITY								
Liabilities								
Accounts payable	\$ 38,481	\$ 18,259	\$ 380	\$ 16,940	\$ 299	\$ 438	\$ 4,173	\$ 143
Accrued interest payable	-	-	-	-	-	-	-	-
Accrued payroll and other liabilities	1,839	65	365	-	-	-	17	-
Management fees payable	3,454	26,246	-	-	-	-	3,707	-
Intercompany loans payable	502,039	334,711	53,208	13,473	667,695	10,436	1,020,717	5,823
Intercompany interest payable	156,565	22,674	17,428	2,165	216,449	2,981	459,947	2,428
Convertible note payable	-	-	-	-	-	-	-	-
Notes payable to related parties - subordinated	-	-	-	-	-	-	-	-
Other subordinated debt	-	-	-	-	-	-	-	-
Bank Debt								
Revolving line of credit	-	-	-	-	-	-	-	-
Notes payable	-	-	-	-	-	-	-	-
Total Liabilities	702,378	401,955	71,381	32,578	884,443	13,855	1,488,561	8,394
Members' Equity								
NHF members' equity	305,305	1,637,286	55,497	5,182	252,626	(40)	563,231	83
Non-controlling interest	101,768	16,538	20,526	5,394	2,552	(38)	277,413	36
Total Members' Equity (Deficit)	407,073	1,653,824	76,023	10,576	255,178	(78)	840,644	119
Total Liabilities and Members' Equity	\$ 1,109,451	\$ 2,055,779	\$ 147,404	\$ 43,154	\$ 1,139,621	\$ 13,777	\$ 2,329,205	\$ 8,513

See independent auditors' report.

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Supplementary Schedule 1 - Consolidating Balance Sheet (continued)

December 31, 2016

	Southwest Injury Services	New Mexico Health Finance	North Texas Medical Finance	Northwest Health Network	Great Salt Lake Medical Finance	Bay Area Medical Finance	Northern Florida Medical Finance	Medical Financial Group	Eliminations	Consolidated
ASSETS										
Assets										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 213,958
Restricted cash	-	-	-	-	-	-	-	-	-	1,000,000
Cases in process	2,305,943	954	44,925	-	1,008,579	-	271,338	537,037	-	196,095,161
Allowance for uncollectible cases in process	(784,021)	(324)	(15,275)	-	(342,917)	-	(92,255)	(182,593)	-	(66,672,357)
Cases in Process, Net	1,521,922	630	29,650	-	665,662	-	179,083	354,444	-	129,422,804
Notes and interest receivable	-	-	-	-	-	-	-	-	-	297,930
Allowance for uncollectable notes and interest	-	-	-	-	-	-	-	-	-	(297,930)
Notes Receivable, Net	-	-	-	-	-	-	-	-	-	-
Notes and interest receivable from related parties	-	-	-	-	16,057	-	-	-	-	17,717
Management fees receivable	-	-	-	-	-	-	-	-	(50,751)	-
Intercompany loans receivable	-	-	-	-	-	-	-	-	(44,592,211)	-
Intercompany interest receivable	-	-	-	-	-	-	-	-	(8,144,651)	-
Intangible assets, net of accumulated amortization	-	-	-	-	-	-	-	-	-	820,698
Other assets	-	-	-	-	10,000	-	-	-	-	90,078
Total Assets	\$ 1,521,922	\$ 630	\$ 29,650	\$ -	\$ 691,719	\$ -	\$ 179,083	\$ 354,444	\$ (52,787,613)	\$ 131,565,255
LIABILITIES AND MEMBERS' EQUITY										
Liabilities										
Accounts payable	\$ 318	\$ -	\$ 2,431	\$ -	\$ -	\$ -	\$ 5,098	\$ 137,501	\$ -	\$ 1,506,017
Accrued interest payable	-	-	-	-	-	-	-	-	-	698,974
Accrued payroll and other liabilities	390	-	1,180	423	-	1,440	321	-	-	961,972
Management fees payable	1,528	-	-	-	365	-	-	-	(50,751)	-
Intercompany loans payable	608,817	2,911	24,469	7,678	444,562	6,956	82,325	40,788	(44,592,211)	-
Intercompany interest payable	37,606	382	1,273	331	27,715	303	1,741	853	(8,144,651)	-
Convertible note payable	-	-	-	-	-	-	-	-	-	12,910,310
Notes payable to related parties - subordinated	-	-	-	-	-	-	-	-	-	10,229,020
Other subordinated debt	-	-	-	-	-	-	-	-	-	2,300,000
Bank Debt										
Revolving line of credit	-	-	-	-	-	-	-	-	-	28,179,006
Notes payable	-	-	-	-	-	-	-	-	-	8,101,852
Total Liabilities	648,659	3,293	29,353	8,432	472,642	8,699	89,485	179,142	(52,787,613)	#REF!
Members' Equity										
NHF members' equity	637,482	(1,811)	205	(5,565)	192,788	(6,437)	78,846	122,711	-	63,780,550
Non-controlling interest	235,781	(852)	92	(2,867)	26,289	(2,262)	10,752	52,591	-	2,897,554
Total Members' Equity (Deficit)	873,263	(2,663)	297	(8,432)	219,077	(8,699)	89,598	175,302	-	66,678,104
Total Liabilities and Members' Equity	\$ 1,521,922	\$ 630	\$ 29,650	\$ -	\$ 691,719	\$ -	\$ 179,083	\$ 354,444	\$ (52,787,613)	#REF!

See independent auditors' report.

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES
Supplementary Schedule 2 - Consolidating Statement of Operations and Changes in Members' Equity
For the Year Ended December 31, 2016

	National Health Finance HoldCo, LLC	National Health Finance DM, LLC	National Health Finance FL	National Health Finance FL 2	Nevada Orthopedic and Spinal	Old Pueblo Medical Finance	Old Pueblo Medical Finance of Delaware	Southwest Medical Financing
Service revenue	\$ -	\$ 33,482,817	\$ -	\$ -	\$ 27,873	\$ 2,365,818	\$ -	\$ -
Provision for uncollectible service revenue	-	(14,588,111)	(40,647)	(379,624)	(185,114)	(713,483)	3,419	(4,560)
Management fee income	-	1,100,759	-	-	-	-	-	-
Revenues, Net	-	19,995,465	(40,647)	(379,624)	(157,241)	1,652,335	3,419	(4,560)
Cost of Services	-	8,107,077	-	-	11,749	892,242	-	-
Gross Profit (Loss)	-	11,888,388	(40,647)	(379,624)	(168,990)	760,093	3,419	(4,560)
General and Administrative Expenses	-	4,991,097	395	23,625	13,671	146,106	824	450
Income (Loss) From Operations	-	6,897,291	(41,042)	(403,249)	(182,661)	613,987	2,595	(5,010)
Other Income (Expense)								
Interest income from notes receivable	-	7,863	-	-	-	-	-	-
Interest income from intercompany loans receivable	-	6,438,641	-	-	-	-	-	-
Interest expense from intercompany loans payable	-	-	(124,063)	(170,087)	(69,270)	(275,567)	-	-
Amortization expense	-	(179,445)	-	-	-	-	-	-
Interest expense	(456,424)	(3,448,563)	-	-	-	-	-	-
Total Other Income (Expense)	(456,424)	2,818,496	(124,063)	(170,087)	(69,270)	(275,567)	-	-
Net Income (Loss)	(456,424)	9,715,787	(165,105)	(573,336)	(251,931)	338,420	2,595	(5,010)
Members' Equity (Deficit), December 31, 2015	-	22,937,412	(636,110)	1,873,861	440,890	904,314	(1,297)	69,968
Distributions	(10,000,000)	(75,000)	-	-	-	(358,998)	(100,797)	-
Contributions	2,089,690	-	-	-	-	-	97,378	-
Members' Equity (Deficit), December 31, 2016	<u>\$ (8,366,734)</u>	<u>\$ 32,578,199</u>	<u>\$ (801,215)</u>	<u>\$ 1,300,525</u>	<u>\$ 188,959</u>	<u>\$ 883,736</u>	<u>\$ (2,121)</u>	<u>\$ 64,958</u>

See independent auditors' report.

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES
Supplementary Schedule 2 - Consolidating Statement of Operations and Changes in Members' Equity
For the Year Ended December 31, 2016

	Nevada Health Finance	Silver State Surgical	SMD Medical Finance	Lone Star Lien Solutions	National Medical Finance & Assistance	DFW Medical Finance	Complete Health Network	Oklahoma Health Finance
Service revenue	\$ -	\$ 11,318,161	\$ 350	\$ 526,398	\$ 57,882,623	\$ 72,000	\$ -	\$ -
Provision for uncollectible service revenue	488	(4,595,991)	(2,134)	(183,423)	(21,216,813)	(32,917)	(6,609)	(3,366)
Management fee income	-	-	-	-	-	-	-	-
Revenues, Net	488	6,722,170	(1,784)	342,975	36,665,810	39,083	(6,609)	(3,366)
Cost of Services	-	3,484,276	158	181,788	17,950,919	-	-	-
Gross Profit (Loss)	488	3,237,894	(1,942)	161,187	18,714,891	39,083	(6,609)	(3,366)
General and Administrative Expenses	867	51,161	1,001	23,208	689,174	419	6,944	1,186
Income (Loss) From Operations	(379)	3,186,733	(2,943)	137,979	18,025,717	38,664	(13,553)	(4,552)
Other Income (Expense)								
Interest income from notes receivable	-	-	-	-	-	-	-	-
Interest income from intercompany loans receivable	-	-	-	-	-	-	-	-
Interest expense from intercompany loans payable	(915)	(401,594)	(7,204)	(46,416)	(4,640,899)	(25,977)	(18,064)	(7,286)
Amortization expense	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-
Total Other Income (Expense)	(915)	(401,594)	(7,204)	(46,416)	(4,640,899)	(25,977)	(18,064)	(7,286)
Net Income (Loss)	(1,294)	2,785,139	(10,147)	91,563	13,384,818	12,687	(31,617)	(11,838)
Members' Equity (Deficit), December 31, 2015	11,208	2,281,851	(9,076)	264,050	17,533,012	29,220	35,558	27,464
Distributions	-	(101,391)	(2,425)	(31,576)	-	-	(6,511)	-
Contributions	-	-	-	-	-	-	-	-
Members' Equity (Deficit), December 31, 2016	\$ 9,914	\$ 4,965,599	\$ (21,648)	\$ 324,037	\$ 30,917,830	\$ 41,907	\$ (2,570)	\$ 15,626

See independent auditors' report.

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES
Supplementary Schedule 2 - Consolidating Statement of Operations and Changes in Members' Equity (continued)
For the Year Ended December 31, 2016

	Tristate Medical Finance	Bayou Health Finance	Louisiana Health Network	New Mexico Medical Financing	So Cal Injury Treatment Network	California Health Finance	Injury Medical Network	Metroplex Medical Finance
Service revenue	\$ 646,916	\$ 2,652,497	\$ 54,757	\$ 56,218	\$ 508,407	\$ 1,460	\$ 741,081	\$ -
Provision for uncollectible service revenue	(210,289)	(980,147)	(17,131)	(21,421)	(235,838)	(1,080)	(619,661)	(387)
Management fee income	-	-	-	-	-	-	-	-
Revenues, Net	436,627	1,672,350	37,626	34,797	272,569	380	121,420	(387)
Cost of Services	252,246	722,783	21,000	22,289	188,046	437	254,939	143
Gross Profit (Loss)	184,381	949,567	16,626	12,508	84,523	(57)	(133,519)	(530)
General and Administrative Expenses	47,152	128,828	20,533	1,821	17,126	4,300	43,328	445
Income (Loss) From Operations	137,229	820,739	(3,907)	10,687	67,397	(4,357)	(176,847)	(975)
Other Income (Expense)								
Interest income from notes receivable	-	-	-	-	-	-	-	-
Interest income from intercompany loans receivable	-	-	-	-	-	-	-	-
Interest expense from intercompany loans payable	(112,157)	(83,885)	(11,790)	(1,768)	(109,164)	(1,555)	(259,303)	(1,121)
Amortization expense	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-
Total Other Income (Expense)	(112,157)	(83,885)	(11,790)	(1,768)	(109,164)	(1,555)	(259,303)	(1,121)
Net Income (Loss)	25,072	736,854	(15,697)	8,919	(41,767)	(5,912)	(436,150)	(2,096)
Members' Equity (Deficit), December 31, 2015	427,147	916,970	143,867	2,068	323,451	5,834	1,307,715	2,215
Distributions	(45,146)	-	(52,147)	(411)	(26,506)	-	(30,921)	-
Contributions	-	-	-	-	-	-	-	-
Members' Equity (Deficit), December 31, 2016	\$ 407,073	\$ 1,653,824	\$ 76,023	\$ 10,576	\$ 255,178	\$ (78)	\$ 840,644	\$ 119

See independent auditors' report.

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES
Supplementary Schedule 2 - Consolidating Statement of Operations and Changes in Members' Equity (continued)
For the Year Ended December 31, 2016

	Southwest Injury Services	New Mexico Health Finance	North Texas Medical Finance	Northwest Health Network	Great Salt Lake Medical Finance	Bay Area Medical Finance	Northern Florida Medical Finance	Medical Financial Group	Eliminations	Consolidated
Service revenue	\$ 2,324,198	\$ -	\$ 44,925	\$ -	\$ 1,026,906	\$ -	\$ 290,528	\$ 537,037	\$ -	\$ 114,560,970
Provision for uncollectible service revenue	(790,790)	(3)	(15,384)	-	(347,193)	-	(97,282)	(182,583)	-	(45,468,074)
Management fee income	-	-	-	-	-	-	-	-	(1,100,759)	-
Revenues, Net	1,533,408	(3)	29,541	-	679,713	-	193,246	354,454	(1,100,759)	69,092,896
Cost of Services	608,906	-	16,194	-	376,453	-	96,829	137,501	-	33,325,975
Gross Profit (Loss)	924,502	(3)	13,347	-	303,260	-	96,417	216,953	(1,100,759)	35,766,921
General and Administrative Expenses	15,802	1,884	11,777	8,101	56,205	8,396	4,438	40,788	(1,100,759)	5,260,293
Income (Loss) from Operations	908,700	(1,887)	1,570	(8,101)	247,055	(8,396)	91,979	176,165	-	30,506,628
Other Income (Expense)										
Interest income from notes receivable	-	-	-	-	-	-	-	-	-	7,863
Interest income from intercompany loans receivable	-	-	-	-	-	-	-	-	(6,438,641)	-
Interest expense from intercompany loans payable	(37,549)	(382)	(1,273)	(331)	(27,922)	(303)	(1,933)	(863)	6,438,641	-
Amortization expense	-	-	-	-	-	-	-	-	-	(179,445)
Interest expense	-	-	-	-	-	-	-	-	-	(3,904,987)
Total Other Income (Expense)	(37,549)	(382)	(1,273)	(331)	(27,922)	(303)	(1,933)	(863)	-	(4,076,569)
Net Income (Loss)	871,151	(2,269)	297	(8,432)	219,133	(8,699)	90,046	175,302	-	26,430,059
Members' Equity (Deficit), December 31, 2015	12,327	(394)	-	-	-	-	-	-	-	48,903,525
Distributions	(10,215)	-	-	-	(56)	-	(448)	-	-	(10,842,548)
Contributions	-	-	-	-	-	-	-	-	-	2,187,068
Members' Equity (Deficit), December 31, 2016	\$ 873,263	\$ (2,663)	\$ 297	\$ (8,432)	\$ 219,077	\$ (8,699)	\$ 89,598	\$ 175,302	\$ -	\$ 66,678,104

See independent auditors' report.

NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES
 Supplementary Schedule 3 - Consolidated Statements of General and Administrative Expenses
 For the Years Ended December 31, 2016 and 2015

	2016	2015
General and Administrative Expenses		
Salaries and wages	\$ 2,256,814	\$ 1,577,476
Contracted services	1,291,912	96,178
Professional fees	798,865	562,801
Management fee	250,000	-
Office expense	206,033	85,842
Rent	115,553	104,420
Insurance	103,905	32,119
Loan fees	53,190	1,049,020
Utilities	52,533	53,506
Advertising	38,841	28,386
Bank service fees	37,883	35,634
Meals and entertainment	28,636	38,605
Other	26,128	4,543
Total General and Administrative Expenses	<u>\$ 5,260,293</u>	<u>\$ 3,668,530</u>

See independent auditors' report.