



**National Health Finance HoldCo, LLC & Affiliated Companies**

Consolidated Financial Statements  
and Supplementary Information

**December 31, 2017 and 2016**

## TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Members' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplementary Information	
Consolidating Balance Sheet	18
Consolidating Statement of Operations and Changes in Members' Equity	24
Consolidated Statements of General and Administrative Expenses	30



## 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, 2017 and 2016, 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, 2017 and 2016, 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information presented on pages 18 through 30 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. CPAs P.A.*

Price, Kong, & Co., C.P.A.'s, P.A.  
Phoenix, Arizona  
April 5, 2018

**NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES**

Consolidated Balance Sheet

December 31, 2017 and 2016

	<b>ASSETS</b>	
	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 1,463,280	\$ 213,958
Restricted cash	6,223,386	1,000,000
Cases in process	195,290,625	196,095,161
Allowance for uncollectible cases in process	<u>(101,551,125)</u>	<u>(66,672,357)</u>
Cases in Process, Net	93,739,500	129,422,804
Notes and interest receivable	318,632	297,930
Allowance for uncollectible notes and interest	<u>(297,930)</u>	<u>(297,930)</u>
Notes Receivable, Net	20,702	-
Notes and interest receivable from related parties	198,411	17,717
Property and equipment, net of accumulated depreciation	20,259	-
Intangible assets, net of accumulated amortization	585,714	820,698
Other assets	<u>166,651</u>	<u>90,078</u>
Total Other Assets	971,035	928,493
Total Assets	<u>\$ 102,417,903</u>	<u>\$ 131,565,255</u>

**LIABILITIES AND MEMBERS' EQUITY**

Liabilities		
Accounts payable	\$ 1,145,026	\$ 1,506,017
Accrued interest payable	640,873	698,974
Accrued payroll and other liabilities	135,519	961,972
Notes payable	4,500,000	-
Convertible note payable	12,910,310	12,910,310
Notes payable to related parties - subordinated	10,229,020	10,229,020
Other subordinated debt	1,700,000	2,300,000
Bank Debt		
Revolving line of credit, net of deferred financing costs	43,219,997	28,179,006
Notes payable	<u>-</u>	<u>8,101,852</u>
Total Liabilities	74,480,745	64,887,151
Members' Equity		
NHF members' equity	27,033,241	63,780,550
Non-controlling interest	<u>903,917</u>	<u>2,897,554</u>
Total Members' Equity	27,937,158	66,678,104
Total Liabilities and Members' Equity	<u>\$ 102,417,903</u>	<u>\$ 131,565,255</u>

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

**NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES**

## Consolidated Statements of Operations and Changes in Members' Equity

For the Years Ended December 31, 2017 and 2016

	2017	2016
Service revenue	\$ 38,185,992	\$ 114,560,970
Provision for uncollectible service revenue	(17,212,202)	(45,468,074)
Increased provision for change in estimate	(35,152,308)	-
Revenues, Net	(14,178,518)	69,092,896
Cost of Services	12,622,840	33,325,975
Gross Profit (Loss)	(26,801,358)	35,766,921
General and Administrative Expenses	5,175,528	5,260,293
Income (Loss) From Operations	(31,976,886)	30,506,628
Other Income (Expense)		
Interest income	25,167	7,863
Depreciation and amortization expense	(176,612)	(179,445)
Interest expense	(5,988,195)	(3,904,987)
Other income	29,246	-
Total Other Income (Expense)	(6,110,394)	(4,076,569)
Net Income (Loss)	\$ (38,087,280)	\$ 26,430,059

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

**NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES**

Consolidated Statement of Members' Equity

For the Years Ended December 31, 2017 and 2016

	National Health Finance		
	HoldCo, LLC	Noncontrolling	
	<u>Members' Equity</u>	<u>Interest</u>	<u>Total</u>
Members' Equity, January 1, 2016	\$ 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>
Net loss	(36,314,535)	(1,772,745)	(38,087,280)
Contributions	228,212	-	228,212
Distributions	<u>(660,986)</u>	<u>(220,892)</u>	<u>(881,878)</u>
Members' Equity, December 31, 2017	<u>\$ 27,033,241</u>	<u>\$ 903,917</u>	<u>\$ 27,937,158</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, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ (38,087,280)	\$ 26,430,059
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Provision for uncollectible cases in process	34,878,768	29,164,384
Depreciation and amortization expense	176,612	179,445
(Increase) Decrease in:		
Notes and interest receivable	(20,702)	-
Cases in process	804,536	(75,101,703)
Other assets	(16,990)	(80,000)
Increase (Decrease) in:		
Accounts payable	(360,991)	387,054
Accrued interest	(58,101)	521,314
Accrued payroll and other liabilities	(826,453)	829,902
Net Cash Provided By (Used For) Operating Activities	<u>(3,510,601)</u>	<u>(17,669,545)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(21,470)	-
Change in accrued interest of related party note receivable	<u>(180,694)</u>	<u>101,104</u>
Net Cash Provided By (Used For) Investing Activities	<u>(202,164)</u>	<u>101,104</u>
Cash Flows from Financing Activities:		
Payments for loan origination fees	-	(1,000,143)
Proceeds from issuance of notes payable	4,500,000	-
Proceeds from issuance of convertible note payable	-	12,910,310
Principal payments on notes payable to related parties - subordinated	-	(1,465,000)
Proceeds from notes payable to related parties - subordinated	-	7,814,020
Principal payments on other subordinated debt	(600,000)	(150,000)
Proceeds from issuance of other subordinated debt	-	600,000
Release of restricted cash related to line of credit payoff	1,000,000	-
Designation of restricted cash related to line of credit	(6,223,386)	-
Principal payments on revolving line of credit	(29,830,923)	(30,688,398)
Proceeds from issuance of revolving line of credit	45,404,387	30,295,125
Deferred financing costs	(532,473)	-
Principal payments on bank notes payable	(8,101,852)	(5,106,481)
Proceeds from issuance of bank notes payable	-	13,208,333
Distributions to members	(881,878)	(10,842,548)
Contributions from members	<u>228,212</u>	<u>2,187,068</u>
Net Cash Provided by (Used For) Financing Activities	<u>4,962,087</u>	<u>17,762,286</u>
Net Change in Cash and Cash Equivalents	1,249,322	193,845
Cash and Cash Equivalents - Beginning of Period	<u>213,958</u>	<u>20,113</u>
Cash and Cash Equivalents - End of Period	<u>\$ 1,463,280</u>	<u>\$ 213,958</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid during the period	<u>\$ 5,930,094</u>	<u>\$ 3,383,673</u>

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, 2017 and 2016

## 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, 2017 and 2016

## 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
- Waterleaf Medical Funding, LLC
- Surgical Capital Partners, LLC
- Georgia Injury Treatment Network, LLC
- Accident Medical Funding, LLC
- Wildcat Medical Finance, LLC
- Oklahoma Injury Network, LLC
- Desert Sky Medical Funding, LLC
- Auto Medical Funding Group, LLC
- HALO Medical Funding, LLC
- Rocky Mountain Medical Funding, LLC
- ONYX Medical Funding Group, LLC
- APEX Injury Network, LLC
- Atlanta Health Funding, 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, 2017 and 2016.

### 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.

# NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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

### Cases in Process and Allowance for Uncollectible Cases in Process – continued

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.

### 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 the proceeds from the loan. At December 31, 2017 and 2016, \$6,223,386 and \$1,000,000 of restricted cash is recognized, respectively.

### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. The Company's capitalization policy is set at \$3,600. Expenditures for minor replacements, maintenance and repairs which do not increase the useful lives of the property and equipment are charged to operations as incurred. Gains or losses on assets sold are reflected in net income. Major additions or improvements are capitalized. Depreciation and amortization are computed using the straight-line method over estimated useful lives, as follows:

Office equipment	10 years
Furniture and fixtures	10 years

The fixed assets balance as of December 31, 2017 and 2016 was \$20,259 and \$0. Fixed assets consisted of two assets and depreciation expense of \$1,210 and \$0 for the years ended December 31, 2017 and 2016.

# NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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

### Property and Equipment – continued

The Company reviews its long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Company evaluates, at each balance sheet date, whether events and circumstances have occurred which indicate possible impairment. The Company uses an estimate of future undiscounted net cash flows from the related asset or group of assets over their remaining life in measuring whether the assets are recoverable. As of December 31, 2017 and 2016, the Company does not consider any of its property and equipment to be impaired.

### Notes Payable

In accordance with U.S. GAAP, notes payable are recorded at the amount borrowed, net of debt issuance costs, otherwise known as deferred financing costs. Amortization of the deferred financing costs is reported as interest expense and amortized ratably over the term of the debt agreement.

### 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.

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.

## NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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

#### Advertising

Advertising costs are expensed as incurred. Such costs were \$117,087 and \$38,841 for the years ended December 31, 2017 and 2016, 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 consolidated financial statements and therefore, there has been no accrual for compensated absences.

#### Recent Accounting Pronouncements

**Revenue from Contracts with Customers** - In May 2014, the FASB issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. This is determined using a five step process, as outlined in the standard. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The standard will be effective for the Company beginning January 1, 2019, with early adoption permitted. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (modified retrospective method). The Company is continuing to evaluate the new guidance as it relates to our current revenue recognition policy, and plans to adopt the standard on the effective date.

**Leases** - In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among organizations by requiring recognition of right-of-use (“ROU”) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP with lease terms of more than 12 months.

Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Company will be required to recognize and measure leases existing at, or entered into after, the beginning of the earliest comparative period presented using a modified retrospective approach, with certain practical expedients available.

The standard will be effective for the Company beginning January 1, 2020, with early adoption permitted. The Company is continuing to evaluate the new guidance.

**NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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

Reclassifications

Certain accounts in the prior-year statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Subsequent Events

Subsequent events have been evaluated through April 5, 2018, 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, 2017 and 2016. The Company does not charge interest on its receivables.

		2017				
		Days Outstanding				
		1-90 days	91-300 days	301-539 days	540+ days	Total
Aged cases in process		\$3,780,893	\$ 12,292,887	\$ 54,066,759	\$125,150,086	\$ 195,290,625
		2016				
		Days Outstanding				
		1-90 days	91-300 days	301-539 days	540+ days	Total
Aged cases in process		\$16,330,515	\$ 54,229,818	\$ 73,065,237	\$ 52,469,591	\$ 196,095,161

The allowance for uncollectible cases in process is determined based on historical collection rates. In 2017, the Company increased its estimated allowance based on a thorough review of outstanding cases. As of December 31, 2017 and 2016, the allowance was \$101,551,125 and \$66,672,357, 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, 2017 and 2016. Management is attempting to collect the loans or renegotiate its terms. As of December 31, 2017 and 2016, management considers these notes to be uncollectible and has provided an allowance in the amount of \$297,930 as of December 31, 2017 and 2016.

# NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

## Notes to Consolidated Financial Statements

December 31, 2017 and 2016

### Note 4 – Notes Receivable from Related Parties

The Company has various notes receivables due from related parties totaling \$198,411 and \$17,717 as of December 31, 2017 and 2016. Interest rates for these notes range from 5% to 20% and mature anywhere from 2018 to 2019.

### Note 5 – Bank Debt

The Company had a revolving line of credit and bridge loan agreements in 2016. The revolving line provided for available borrowings of \$30,000,000 less a \$1,000,000 liquidity reserve. The bridge loans provided for additional available borrowings of \$10,000,000. As of December 31, 2016, the amounts outstanding on the line of credit and bridge loans were \$28,179,006 and \$8,101,852, respectively.

The Company entered into a loan and security agreement (“loan”) in 2017 with a financial institution that replaced the previous line of credit agreement and bridge loans. The loan provides for funded advances of \$43,752,470 and unfunded commitments of \$6,247,530, less a reserve requirement which is calculated on a monthly basis and disclosed in Note 1. The loan provides for maximum available borrowings of \$50,000,000. The loan matures in February of 2021, at which point the outstanding balance is due and payable in full. Borrowings under the loan bear interest per annum at LIBOR rate plus 9.25%. The rate was approximately 11.40% as of December 31, 2017.

The amount outstanding on the loan totaled \$43,219,997 at December 31, 2017, which consisted of \$43,752,470 borrowed, less net deferred financing costs of \$532,473. The loan is secured by receivables, a term life insurance policy on one of the members, and personal guarantees of the majority members.

Advances under the loan are subject to certain covenants and restrictions on indebtedness and distribution payments. As of December 31, 2017, 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, 2017:

Year ending December 31,		
2018	\$	-
2019		-
2020		-
2021		43,752,470
Total	\$	<u>43,752,470</u>

## NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

### 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, 2017 and 2016, the investor group had not elected to convert the note and the balance on the note was \$12,910,310 for both years.

As of December 31, 2017 and 2016, interest expense related to the convertible note was \$198,931 and \$198,931, respectively.

### Note 7 – Subordinated Notes Payable

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, 2017 and 2016 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.

	2017	2016
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	300,000
12% subordinated note payable, simple interest payable quarterly, guaranteed by the majority members.	200,000	200,000
12% subordinated note payable, simple interest payable quarterly, guaranteed by the majority members.	200,000	200,000
Total subordinated notes payable	<u>\$ 1,700,000</u>	<u>\$ 2,300,000</u>



**NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES**

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

**Note 8 – Subordinated Notes Payable to Related Parties**

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

	<u>2017</u>	<u>2016</u>
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	\$ 1,074,020
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	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>4,155,000</u>
Total subordinated notes payable to related parties	<u>\$ 10,229,020</u>	<u>\$ 10,229,020</u>

**Note 9 – Operating Lease**

The Company leases office spaces in Chandler, Arizona and Phoenix, Arizona under non-cancelable agreements which expire in March 2020 and November 2022, respectively, 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 \$57,682 and \$22,393 as of December 31, 2017 and 2016. Future minimum lease payments are as follows:

<u>Year Ended December 31,</u>	
2018	\$ 180,559
2019	185,248
2020	90,571
2021	59,524
2022	<u>55,616</u>
Total	<u>\$ 571,518</u>

## NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

### 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 as of December 31, 2017 and 2016. There was a total of \$0 of principal repayments with cumulative interest expense on the notes of \$379,469 and \$330,670 for the years ended December 31, 2017 and 2016.
- Notes payable to a majority member to provide working capital, totaling \$1,074,020 with cumulative interest expense of \$162,796 and \$134,711 for the years ended December 31, 2017 and 2016.
- Interest and other payables to related parties totaled \$266,671 and \$277,622 as of December 31, 2017 and 2016.
- Management fees paid to a member of the Company totaled \$33,333 and \$250,000 for the years ended December 31, 2017 and 2016, respectively.

### 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 sheets and consolidated statements 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 & AFFILIATED COMPANIES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

## Note 11 – Variable Interest Entities – continued

National Health Finance HoldCo, LLC guarantees, jointly and severally with the consolidated entities, a loan 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.

## 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, 2017 and 2016, revenues were recognized from the Company's five largest providers totaling \$13,778,477, or 36%, and \$23,304,642, or 39%, of total revenues. For the years ended December 31, 2017 and 2016, cases in process from four providers totaled \$66,795,236 or 34% of total cases in process and cases in process from four providers totaled \$18,819,333 or 31% of total cases in process.

## 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, 2017

	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
<b>ASSETS</b>								
Assets								
Cash and cash equivalents	\$ 825,989	\$ 630,972	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	6,223,386	-	-	-	-	-	-
Cases in process	-	71,105,405	284,851	2,179,137	1,082,974	3,179,013	-	38,688
Allowance for uncollectible cases in process	-	(36,974,811)	(148,123)	(1,133,151)	(563,146)	(1,653,087)	-	(20,118)
Cases in Process, Net	-	34,130,594	136,728	1,045,986	519,828	1,525,926	-	18,570
Investment in National Health Finance DM, LLC	3,475,000	-	-	-	-	-	-	-
Notes and interest receivable	-	318,632	-	-	-	-	-	-
Allowance for uncollectable notes and interest	-	(297,930)	-	-	-	-	-	-
Notes Receivable, Net	-	20,702	-	-	-	-	-	-
Notes and interest receivable from related parties	-	151,220	-	-	-	-	-	-
Management fees receivable	-	37,024	-	-	-	-	-	-
Intercompany loans receivable	10,000,000	31,345,144	-	-	-	-	-	-
Intercompany interest receivable	-	12,781,978	-	-	-	-	-	-
Property and equipment, net of accumulated depreciation	-	20,259	-	-	-	-	-	-
Intangible assets, net of accumulated amortization	-	585,714	-	-	-	-	-	-
Other assets	-	80,111	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 14,300,989</b>	<b>\$ 86,007,104</b>	<b>\$ 136,728</b>	<b>\$ 1,045,986</b>	<b>\$ 519,828</b>	<b>\$ 1,525,926</b>	<b>\$ -</b>	<b>\$ 18,570</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>								
Liabilities								
Accounts payable	\$ -	\$ 711,240	\$ -	\$ -	\$ -	\$ 92,277	\$ -	\$ -
Accrued interest payable	228,212	412,661	-	-	-	-	-	-
Accrued payroll and other liabilities	-	123,390	-	-	660	108	-	-
Management fees payable	-	-	-	-	-	7,339	-	-
Intercompany loans payable	-	10,000,000	597,900	655,860	300,083	854,562	2,171	-
Intercompany interest payable	-	-	1,160,636	1,014,892	283,393	268,910	-	-
Notes payable	4,500,000	-	-	-	-	-	-	-
Convertible note payable	12,910,310	-	-	-	-	-	-	-
Notes payable to related parties - subordinated	5,000,000	5,229,020	-	-	-	-	-	-
Other subordinated debt	-	1,700,000	-	-	-	-	-	-
Bank Debt								
Revolving line of credit, net of deferred financing costs	-	43,219,997	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>22,638,522</b>	<b>61,396,308</b>	<b>1,758,536</b>	<b>1,670,752</b>	<b>584,136</b>	<b>1,223,196</b>	<b>2,171</b>	<b>-</b>
Members' Equity								
NHF members' equity (deficit)	(8,337,533)	24,610,796	(1,621,808)	(381,107)	(48,231)	151,365	(2,171)	13,928
Non-controlling interest	-	-	-	(243,659)	(16,077)	151,365	-	4,642
<b>Total Members' Equity (Deficit)</b>	<b>(8,337,533)</b>	<b>24,610,796</b>	<b>(1,621,808)</b>	<b>(624,766)</b>	<b>(64,308)</b>	<b>302,730</b>	<b>(2,171)</b>	<b>18,570</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 14,300,989</b>	<b>\$ 86,007,104</b>	<b>\$ 136,728</b>	<b>\$ 1,045,986</b>	<b>\$ 519,828</b>	<b>\$ 1,525,926</b>	<b>\$ -</b>	<b>\$ 18,570</b>

See independent auditors' report.

**NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES**

Supplementary Schedule 1 - Consolidating Balance Sheet (continued)

December 31, 2017

	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
<b>ASSETS</b>								
Assets								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	-	-	-	-	-	-	-
Cases in process	-	11,215,452	5,203	2,309,560	80,619,277	371,825	17,992	112,205
Allowance for uncollectible cases in process	-	(5,832,035)	(2,706)	(1,200,971)	(41,922,024)	(193,349)	(9,356)	(58,347)
Cases in Process, Net	-	5,383,417	2,497	1,108,589	38,697,253	178,476	8,636	53,858
Investment in National Health Finance DM, LLC	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
Property and equipment, net of accumulated depreciation	-	-	-	-	-	-	-	-
Intangible assets, net of accumulated amortization	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 5,383,417</u>	<u>\$ 2,497</u>	<u>\$ 1,108,589</u>	<u>\$ 38,697,253</u>	<u>\$ 178,476</u>	<u>\$ 8,636</u>	<u>\$ 53,858</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>								
Liabilities								
Accounts payable	\$ -	\$ 49,434	\$ -	\$ 113,418	\$ 109	\$ -	\$ -	\$ -
Accrued interest payable	-	-	-	-	-	-	-	-
Accrued payroll and other liabilities	-	-	-	350	-	-	-	-
Management fees payable	-	-	-	231	-	-	-	-
Intercompany loans payable	-	2,763,433	22,935	641,496	19,623,602	117,155	7,953	36,140
Intercompany interest payable	-	737,648	2,767	140,907	7,484,798	85,208	9,947	28,715
Notes payable	-	-	-	-	-	-	-	-
Convertible note payable	-	-	-	-	-	-	-	-
Notes payable to related parties - subordinated	-	-	-	-	-	-	-	-
Other subordinated debt	-	-	-	-	-	-	-	-
Bank Debt								
Revolving line of credit, net of deferred financing costs	-	-	-	-	-	-	-	-
Total Liabilities	-	3,550,515	25,702	896,402	27,108,509	202,363	17,900	64,855
Members' Equity								
NHF members' equity (deficit)	-	1,466,322	(15,779)	116,703	11,588,744	(21,618)	(4,493)	(9,128)
Non-controlling interest	-	366,580	(7,426)	95,484	-	(2,269)	(4,771)	(1,869)
Total Members' Equity (Deficit)	-	1,832,902	(23,205)	212,187	11,588,744	(23,887)	(9,264)	(10,997)
Total Liabilities and Members' Equity	<u>\$ -</u>	<u>\$ 5,383,417</u>	<u>\$ 2,497</u>	<u>\$ 1,108,589</u>	<u>\$ 38,697,253</u>	<u>\$ 178,476</u>	<u>\$ 8,636</u>	<u>\$ 53,858</u>

See independent auditors' report.

**NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES**

Supplementary Schedule 1 - Consolidating Balance Sheet (continued)

December 31, 2017

	Tristate Medical Finance	Bayou Health Finance	Louisiana Health Network	New Mexico Medical Finance	So Cal Injury Treatment Network	California Health Finance	Injury Medical Network	Metroplex Medical Finance
<b>ASSETS</b>								
Assets								
Cash and cash equivalents	\$ 5,604	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97	\$ -
Restricted cash	-	-	-	-	-	-	-	-
Cases in process	1,386,137	2,038,841	213,747	55,378	1,586,553	56,802	2,774,814	5,475
Allowance for uncollectible cases in process	(720,791)	(1,060,197)	(111,148)	(28,797)	(825,008)	(29,537)	(1,442,903)	(2,847)
Cases in Process, Net	665,346	978,644	102,599	26,581	761,545	27,265	1,331,911	2,628
Investment in National Health Finance DM, LLC	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
Property and equipment, net of accumulated depreciation	-	-	-	-	-	-	-	-
Intangible assets, net of accumulated amortization	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 670,950</b>	<b>\$ 978,644</b>	<b>\$ 102,599</b>	<b>\$ 26,581</b>	<b>\$ 761,545</b>	<b>\$ 27,265</b>	<b>\$ 1,332,008</b>	<b>\$ 2,628</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>								
Liabilities								
Accounts payable	\$ 25,024	\$ 51,102	\$ -	\$ -	\$ 1,014	\$ 7,896	\$ 29,289	\$ -
Accrued interest payable	-	-	-	-	-	-	-	-
Accrued payroll and other liabilities	80	-	-	-	-	-	-	-
Management fees payable	210	387	-	62	135	42	982	-
Intercompany loans payable	336,020	(121,480)	52,326	22,528	582,551	21,581	774,857	1,743
Intercompany interest payable	154,615	539	20,075	5,813	298,052	6,074	484,879	5,559
Notes payable	-	-	-	-	-	-	-	-
Convertible note payable	-	-	-	-	-	-	-	-
Notes payable to related parties - subordinated	-	-	-	-	-	-	-	-
Other subordinated debt	-	-	-	-	-	-	-	-
Bank Debt								
Revolving line of credit, net of deferred financing costs	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>515,949</b>	<b>(69,452)</b>	<b>72,401</b>	<b>28,403</b>	<b>881,752</b>	<b>35,593</b>	<b>1,290,007</b>	<b>7,302</b>
Members' Equity								
NHF members' equity (deficit)	116,251	1,037,615	22,045	(893)	(119,005)	(4,247)	28,141	(3,272)
Non-controlling interest	38,750	10,481	8,153	(929)	(1,202)	(4,081)	13,860	(1,402)
<b>Total Members' Equity (Deficit)</b>	<b>155,001</b>	<b>1,048,096</b>	<b>30,198</b>	<b>(1,822)</b>	<b>(120,207)</b>	<b>(8,328)</b>	<b>42,001</b>	<b>(4,674)</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 670,950</b>	<b>\$ 978,644</b>	<b>\$ 102,599</b>	<b>\$ 26,581</b>	<b>\$ 761,545</b>	<b>\$ 27,265</b>	<b>\$ 1,332,008</b>	<b>\$ 2,628</b>

See independent auditors' report.

**NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES**

Supplementary Schedule 1 - Consolidating Balance Sheet (continued)

December 31, 2017

	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
<b>ASSETS</b>								
Assets								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 618	\$ -	\$ -	\$ -
Restricted cash	-	-	-	-	-	-	-	-
Cases in process	2,349,880	5,317	991,751	2,672	1,481,160	54,299	1,784,796	5,559,259
Allowance for uncollectible cases in process	(1,221,938)	(2,765)	(515,711)	(1,389)	(770,203)	(28,235)	(928,094)	(2,890,815)
Cases in Process, Net	1,127,942	2,552	476,040	1,283	710,957	26,064	856,702	2,668,444
Investment in National Health Finance DM, LLC	-	-	-	-	-	-	-	-
Notes and interest receivable	-	-	-	-	-	-	-	-
Allowance for uncollectable notes and interest	-	-	-	-	-	-	-	-
Notes Receivable, Net	-	-	-	-	-	-	-	-
Notes and interest receivable from related parties	-	-	-	-	41,104	-	-	6,087
Management fees receivable	-	-	-	-	-	-	-	-
Intercompany loans receivable	-	-	-	-	-	-	-	-
Intercompany interest receivable	-	-	-	-	-	-	-	-
Property and equipment, net of accumulated depreciation	-	-	-	-	-	-	-	-
Intangible assets, net of accumulated amortization	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	86,540	-
<b>Total Assets</b>	<b>\$ 1,127,942</b>	<b>\$ 2,552</b>	<b>\$ 476,040</b>	<b>\$ 1,283</b>	<b>\$ 752,679</b>	<b>\$ 26,064</b>	<b>\$ 943,242</b>	<b>\$ 2,674,531</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>								
Liabilities								
Accounts payable	\$ 2,434	\$ -	\$ 16,668	\$ -	\$ 1,615	\$ 11,048	\$ -	\$ -
Accrued interest payable	-	-	-	-	-	-	-	-
Accrued payroll and other liabilities	158	-	846	-	-	-	1,226	-
Management fees payable	12,461	-	313	-	2,481	-	11,650	408
Intercompany loans payable	349,891	6,140	411,080	9,070	546,122	28,839	565,573	1,571,793
Intercompany interest payable	139,493	1,115	38,848	2,032	111,449	3,737	88,511	154,996
Notes payable	-	-	-	-	-	-	-	-
Convertible note payable	-	-	-	-	-	-	-	-
Notes payable to related parties - subordinated	-	-	-	-	-	-	-	-
Other subordinated debt	-	-	-	-	-	-	-	-
Bank Debt								
Revolving line of credit, net of deferred financing costs	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>504,437</b>	<b>7,255</b>	<b>467,755</b>	<b>11,102</b>	<b>661,667</b>	<b>43,624</b>	<b>666,960</b>	<b>1,727,197</b>
Members' Equity								
NHF members' equity (deficit)	455,159	(3,198)	5,717	(6,481)	80,091	(12,994)	243,128	663,134
Non-controlling interest	168,346	(1,505)	2,568	(3,338)	10,921	(4,566)	33,154	284,200
<b>Total Members' Equity (Deficit)</b>	<b>623,505</b>	<b>(4,703)</b>	<b>8,285</b>	<b>(9,819)</b>	<b>91,012</b>	<b>(17,560)</b>	<b>276,282</b>	<b>947,334</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 1,127,942</b>	<b>\$ 2,552</b>	<b>\$ 476,040</b>	<b>\$ 1,283</b>	<b>\$ 752,679</b>	<b>\$ 26,064</b>	<b>\$ 943,242</b>	<b>\$ 2,674,531</b>

See independent auditors' report.



**NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES**

Supplementary Schedule 1 - Consolidating Balance Sheet (continued)

December 31, 2017

	Waterleaf Medical Funding, LLC	Surgical Capital Partners	Georgia Injury Treatment Network	Accident Medical Funding	Wildcat Medical Finance	Oklahoma Injury Network	Desert Sky Medical Funding	Auto Medical Funding Group
<b>ASSETS</b>								
Assets								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	-	-	-	-	-	-	-
Cases in process	63,599	1,786,229	18,865	2,585	-	-	42,097	233,858
Allowance for uncollectible cases in process	(33,071)	(928,839)	(9,810)	(1,344)	-	-	(21,890)	(121,606)
Cases in Process, Net	30,528	857,390	9,055	1,241	-	-	20,207	112,252
Investment in National Health Finance DM, LLC	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
Property and equipment, net of accumulated depreciation	-	-	-	-	-	-	-	-
Intangible assets, net of accumulated amortization	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Total Assets	\$ 30,528	\$ 857,390	\$ 9,055	\$ 1,241	\$ -	\$ -	\$ 20,207	\$ 112,252
<b>LIABILITIES AND MEMBERS' EQUITY</b>								
Liabilities								
Accounts payable	\$ 4,887	\$ -	\$ 7,086	\$ -	\$ -	\$ -	\$ 13,298	\$ -
Accrued interest payable	-	-	-	-	-	-	-	-
Accrued payroll and other liabilities	6,251	-	292	-	-	617	135	-
Management fees payable	288	-	-	-	-	-	35	-
Intercompany loans payable	15,332	398,542	10,399	1,014	229	4,749	817	54,200
Intercompany interest payable	1,793	39,535	410	63	24	320	34	2,373
Notes payable	-	-	-	-	-	-	-	-
Convertible note payable	-	-	-	-	-	-	-	-
Notes payable to related parties - subordinated	-	-	-	-	-	-	-	-
Other subordinated debt	-	-	-	-	-	-	-	-
Bank Debt								
Revolving line of credit, net of deferred financing costs	-	-	-	-	-	-	-	-
Total Liabilities	28,551	438,077	18,187	1,077	253	5,686	14,319	56,573
Members' Equity								
NHF members' equity (deficit)	1,404	419,313	-	-	-	(4,719)	4,416	41,759
Non-controlling interest	573	-	(9,132)	164	(253)	(967)	1,472	13,920
Total Members' Equity (Deficit)	1,977	419,313	(9,132)	164	(253)	(5,686)	5,888	55,679
Total Liabilities and Members' Equity	\$ 30,528	\$ 857,390	\$ 9,055	\$ 1,241	\$ -	\$ -	\$ 20,207	\$ 112,252

See independent auditors' report.

**NATIONAL HEALTH FINANCE HOLDCO, LLC & AFFILIATED COMPANIES**

Supplementary Schedule 1 - Consolidating Balance Sheet (continued)

December 31, 2017

	HALO Medical Funding, LLC	Rocky Mountain Medical Funding, LLC	ONYX Medical Funding Group, LLC	APEX Injury Network, LLC	Atlanta Health Funding	Eliminations	Consolidated
<b>ASSETS</b>							
Assets							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,463,280
Restricted cash	-	-	-	-	-	-	6,223,386
Cases in process	262,274	-	1,485	855	10,315	-	195,290,625
Allowance for uncollectible cases in process	(136,382)	-	(772)	(445)	(5,364)	-	(101,551,125)
Cases in Process, Net	125,892	-	713	410	4,951	-	93,739,500
Investment in National Health Finance DM, LLC	-	-	-	-	-	(3,475,000)	-
Notes and interest receivable	-	-	-	-	-	-	318,632
Allowance for uncollectable notes and interest	-	-	-	-	-	-	(297,930)
Notes Receivable, Net	-	-	-	-	-	-	20,702
Notes and interest receivable from related parties	-	-	-	-	-	-	198,411
Management fees receivable	-	-	-	-	-	(37,024)	-
Intercompany loans receivable	-	-	-	-	-	(41,345,144)	-
Intercompany interest receivable	-	-	-	-	-	(12,781,978)	-
Property and equipment, net of accumulated depreciation	-	-	-	-	-	-	20,259
Intangible assets, net of accumulated amortization	-	-	-	-	-	-	585,714
Other assets	-	-	-	-	-	-	166,651
Total Assets	\$ 125,892	\$ -	\$ 713	\$ 410	\$ 4,951	\$ (57,639,146)	\$ 102,417,903
<b>LIABILITIES AND MEMBERS' EQUITY</b>							
Liabilities							
Accounts payable	\$ 2,198	\$ -	\$ 564	\$ 299	\$ 4,126	\$ -	\$ 1,145,026
Accrued interest payable	-	-	-	-	-	-	640,873
Accrued payroll and other liabilities	595	278	-	124	409	-	135,519
Management fees payable	-	-	-	-	-	(37,024)	-
Intercompany loans payable	67,674	8,363	1,390	511	-	(41,345,144)	-
Intercompany interest payable	3,468	295	55	-	-	(12,781,978)	-
Notes payable	-	-	-	-	-	-	4,500,000
Convertible note payable	-	-	-	-	-	-	12,910,310
Notes payable to related parties - subordinated	-	-	-	-	-	-	10,229,020
Other subordinated debt	-	-	-	-	-	-	1,700,000
Bank Debt							
Revolving line of credit, net of deferred financing costs	-	-	-	-	-	-	43,219,997
Total Liabilities	73,935	8,936	2,009	934	4,535	(54,164,146)	74,480,745
Members' Equity							
NHF members' equity (deficit)	38,968	-	-	(393)	312	(3,475,000)	27,033,241
Non-controlling interest	12,989	(8,936)	(1,296)	(131)	104	-	903,917
Total Members' Equity (Deficit)	51,957	(8,936)	(1,296)	(524)	416	(3,475,000)	27,937,158
Total Liabilities and Members' Equity	\$ 125,892	\$ -	\$ 713	\$ 410	\$ 4,951	\$ (57,639,146)	\$ 102,417,903

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, 2017

	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	\$ -	\$ 15,420,014	\$ -	\$ -	\$ 47,694	\$ 2,016,628	\$ -	\$ -
Provision for uncollectible service revenue	-	(5,564,064)	(646,245)	(1,419,041)	(9,089)	(578,314)	-	5,364
Increased provision for change in estimate	-	(12,798,972)	(51,273)	(392,244)	(194,935)	(572,223)	-	(6,964)
Management fee income	-	1,103,253	-	-	-	-	-	-
Revenues, Net	-	(1,839,769)	(697,518)	(1,811,285)	(156,330)	866,091	-	(1,600)
Cost of Services	-	5,444,863	-	-	22,169	803,983	-	-
Gross Profit (Loss)	-	(7,284,632)	(697,518)	(1,811,285)	(178,499)	62,108	-	(1,600)
General and Administrative Expenses	80	4,861,085	3,272	1,040	16,140	181,845	50	44,788
Income (Loss) From Operations	(80)	(12,145,717)	(700,790)	(1,812,325)	(194,639)	(119,737)	(50)	(46,388)
Other Income (Expense)								
Interest income from notes receivable	-	25,100	-	-	-	-	-	-
Interest income from intercompany loans receivable	-	6,772,572	-	-	-	-	-	-
Interest expense from intercompany loans payable	-	-	(119,803)	(112,966)	(58,628)	(191,485)	-	-
Depreciation and amortization expense	-	(176,612)	-	-	-	-	-	-
Interest expense	(198,931)	(5,698,031)	-	-	-	-	-	-
Other income	-	8,497	-	-	-	116	-	-
Total Other Income (Expense)	(198,931)	931,526	(119,803)	(112,966)	(58,628)	(191,369)	-	-
Net Income (Loss)	(199,011)	(11,214,191)	(820,593)	(1,925,291)	(253,267)	(311,106)	(50)	(46,388)
Members' Equity (Deficit), December 31, 2016	(8,366,734)	32,578,199	(801,215)	1,300,525	188,959	883,736	(2,121)	64,958
Distributions	-	(228,212)	-	-	-	(269,900)	-	-
Contributions	228,212	3,475,000	-	-	-	-	-	-
Members' Equity (Deficit), December 31, 2017	\$ (8,337,533)	\$ 24,610,796	\$ (1,621,808)	\$ (624,766)	\$ (64,308)	\$ 302,730	\$ (2,171)	\$ 18,570

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, 2017

	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	\$ -	\$ 384,611	\$ -	\$ 1,390,614	\$ 4,145,788	\$ 36,000	\$ -	\$ -
Provision for uncollectible service revenue	720	(271,623)	11,854	(458,631)	(2,613,274)	(5,441)	(1,800)	-
Increased provision for change in estimate	-	(2,018,781)	(937)	(415,719)	(14,511,470)	(66,928)	(3,238)	(20,197)
Management fee income	-	-	-	-	-	-	-	-
Revenues, Net	720	(1,905,793)	10,917	516,264	(12,978,956)	(36,369)	(5,038)	(20,197)
Cost of Services	-	115,320	-	498,895	1,257,587	-	-	-
Gross Profit (Loss)	720	(2,021,113)	10,917	17,369	(14,236,543)	(36,369)	(5,038)	(20,197)
General and Administrative Expenses	10,634	68,226	4,213	20,430	585,698	5,420	1,332	(800)
Income (Loss) From Operations	(9,914)	(2,089,339)	6,704	(3,061)	(14,822,241)	(41,789)	(6,370)	(19,397)
Other Income (Expense)								
Interest income from notes receivable	-	-	-	-	-	-	-	-
Interest income from intercompany loans receivable	-	-	-	-	-	-	-	-
Interest expense from intercompany loans payable	-	(654,276)	(4,582)	(96,611)	(4,506,845)	(24,005)	903	(7,226)
Depreciation and amortization expense	-	-	-	-	-	-	-	-
Interest expense	-	(91,233)	-	-	-	-	-	-
Other income	-	-	-	427	-	-	-	-
Total Other Income (Expense)	-	(745,509)	(4,582)	(96,184)	(4,506,845)	(24,005)	903	(7,226)
Net Income (Loss)	(9,914)	(2,834,848)	2,122	(99,245)	(19,329,086)	(65,794)	(5,467)	(26,623)
Members' Equity (Deficit), December 31, 2016	9,914	4,965,599	(21,648)	324,037	30,917,830	41,907	(2,570)	15,626
Distributions	-	(297,849)	(3,679)	(12,605)	-	-	(1,227)	-
Contributions	-	-	-	-	-	-	-	-
Members' Equity (Deficit), December 31, 2017	<u>\$ -</u>	<u>\$ 1,832,902</u>	<u>\$ (23,205)</u>	<u>\$ 212,187</u>	<u>\$ 11,588,744</u>	<u>\$ (23,887)</u>	<u>\$ (9,264)</u>	<u>\$ (10,997)</u>

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, 2017

	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	\$ 481,069	\$ 918,880	\$ 47,809	\$ 5,870	\$ 87,413	\$ 40,027	\$ 391,147	\$ -
Provision for uncollectible service revenue	(167,845)	(694,901)	(10,620)	2,352	(36,506)	(14,715)	(295,312)	(401)
Increased provision for change in estimate	(249,505)	(366,992)	(38,474)	(9,968)	(285,580)	(10,224)	(499,466)	(985)
Management fee income	-	-	-	-	-	-	-	-
Revenues, Net	<u>63,719</u>	<u>(143,013)</u>	<u>(1,285)</u>	<u>(1,746)</u>	<u>(234,673)</u>	<u>15,088</u>	<u>(403,631)</u>	<u>(1,386)</u>
Cost of Services	<u>186,189</u>	<u>319,700</u>	<u>26,218</u>	<u>2,348</u>	<u>13,086</u>	<u>16,108</u>	<u>141,205</u>	<u>(143)</u>
Gross Profit (Loss)	(122,470)	(462,713)	(27,503)	(4,094)	(247,759)	(1,020)	(544,836)	(1,243)
General and Administrative Expenses	<u>33,663</u>	<u>120,735</u>	<u>4,150</u>	<u>2,281</u>	<u>7,350</u>	<u>4,091</u>	<u>57,649</u>	<u>420</u>
Income (Loss) From Operations	(156,133)	(583,448)	(31,653)	(6,375)	(255,109)	(5,111)	(602,485)	(1,663)
Other Income (Expense)								
Interest income from notes receivable	-	-	-	-	-	-	-	-
Interest income from intercompany loans receivable	-	-	-	-	-	-	-	-
Interest expense from intercompany loans payable	(84,961)	(22,519)	(11,662)	(5,381)	(120,213)	(3,139)	(177,990)	(3,130)
Depreciation and amortization expense	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-
Other income	<u>389</u>	<u>239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110</u>	<u>-</u>
Total Other Income (Expense)	<u>(84,572)</u>	<u>(22,280)</u>	<u>(11,662)</u>	<u>(5,381)</u>	<u>(120,213)</u>	<u>(3,139)</u>	<u>(177,880)</u>	<u>(3,130)</u>
Net Income (Loss)	(240,705)	(605,728)	(43,315)	(11,756)	(375,322)	(8,250)	(780,365)	(4,793)
Members' Equity (Deficit), December 31, 2016	407,073	1,653,824	76,023	10,576	255,178	(78)	840,644	119
Distributions	(11,367)	-	(2,510)	(642)	(63)	-	(18,278)	-
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Members' Equity (Deficit), December 31, 2017	<u>\$ 155,001</u>	<u>\$ 1,048,096</u>	<u>\$ 30,198</u>	<u>\$ (1,822)</u>	<u>\$ (120,207)</u>	<u>\$ (8,328)</u>	<u>\$ 42,001</u>	<u>\$ (4,674)</u>

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, 2017

	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
Service revenue	\$ 1,313,456	\$ 5,317	\$ 964,037	\$ 4,656	\$ 866,261	\$ 54,299	\$ 1,869,073	\$ 5,246,340
Provision for uncollectible service revenue	(531,180)	(1,725)	(329,637)	(1,249)	(282,054)	(19,499)	(652,005)	(1,806,229)
Increased provision for change in estimate	(422,979)	(957)	(178,516)	(480)	(266,609)	(9,774)	(321,263)	(1,000,667)
Management fee income	-	-	-	-	-	-	-	-
Revenues, Net	<u>359,297</u>	<u>2,635</u>	<u>455,884</u>	<u>2,927</u>	<u>317,598</u>	<u>25,026</u>	<u>895,805</u>	<u>2,439,444</u>
Cost of Services	<u>376,133</u>	<u>1,765</u>	<u>382,291</u>	<u>1,556</u>	<u>330,269</u>	<u>22,247</u>	<u>599,852</u>	<u>1,470,894</u>
Gross Profit (Loss)	(16,836)	870	73,593	1,371	(12,671)	2,779	295,953	968,550
General and Administrative Expenses	<u>78,998</u>	<u>2,030</u>	<u>28,075</u>	<u>866</u>	<u>31,106</u>	<u>8,206</u>	<u>19,241</u>	<u>32,192</u>
Income (Loss) from Operations	(95,834)	(1,160)	45,518	505	(43,777)	(5,427)	276,712	936,358
Other Income (Expense)								
Interest income from notes receivable	-	-	-	-	67	-	-	-
Interest income from intercompany loans receivable	-	-	-	-	-	-	-	-
Interest expense from intercompany loans payable	(132,970)	(808)	(37,792)	(1,768)	(96,313)	(3,434)	(90,028)	(156,327)
Depreciation and amortization expense	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-
Other income	-	-	262	50	17,684	-	-	447
Total Other Income (Expense)	<u>(132,970)</u>	<u>(808)</u>	<u>(37,530)</u>	<u>(1,718)</u>	<u>(78,562)</u>	<u>(3,434)</u>	<u>(90,028)</u>	<u>(155,880)</u>
Net Income (Loss)	(228,804)	(1,968)	7,988	(1,213)	(122,339)	(8,861)	186,684	780,478
Members' Equity (Deficit), December 31, 2016	873,263	(2,663)	297	(8,432)	219,077	(8,699)	89,598	175,302
Distributions	(20,954)	(72)	-	(174)	(5,726)	-	-	(8,446)
Contributions	-	-	-	-	-	-	-	-
Members' Equity (Deficit), December 31, 2017	<u>\$ 623,505</u>	<u>\$ (4,703)</u>	<u>\$ 8,285</u>	<u>\$ (9,819)</u>	<u>\$ 91,012</u>	<u>\$ (17,560)</u>	<u>\$ 276,282</u>	<u>\$ 947,334</u>

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, 2017

	Waterleaf Medical Funding, LLC	Surgical Capital Partners	Georgia Injury Treatment Network	Accident Medical Funding	Wildcat Medical Finance	Oklahoma Injury Network	Desert Sky Medical Funding	Auto Medical Funding Group
Service revenue	\$ 75,477	\$ 1,800,770	\$ 18,865	\$ 2,585	\$ -	\$ -	\$ 42,505	\$ 233,858
Provision for uncollectible service revenue	(19,436)	(606,956)	(6,414)	(879)	-	-	(14,420)	(79,513)
Increased provision for change in estimate	(11,448)	(321,521)	(3,396)	(465)	-	-	(7,577)	(42,094)
Management fee income	-	-	-	-	-	-	-	-
Revenues, Net	<u>44,593</u>	<u>872,293</u>	<u>9,055</u>	<u>1,241</u>	<u>-</u>	<u>-</u>	<u>20,508</u>	<u>112,251</u>
Cost of Services	<u>29,517</u>	<u>414,037</u>	<u>7,087</u>	<u>860</u>	<u>-</u>	<u>-</u>	<u>13,421</u>	<u>53,797</u>
Gross Profit (Loss)	15,076	458,256	1,968	381	-	-	7,087	58,454
General and Administrative Expenses	<u>11,889</u>	<u>(592)</u>	<u>10,690</u>	<u>154</u>	<u>229</u>	<u>5,366</u>	<u>1,190</u>	<u>402</u>
Income (Loss) from Operations	3,187	458,848	(8,722)	227	(229)	(5,366)	5,897	58,052
Other Income (Expense)								
Interest income from notes receivable	-	-	-	-	-	-	-	-
Interest income from intercompany loans receivable	-	-	-	-	-	-	-	-
Interest expense from intercompany loans payable	(2,036)	(39,535)	(410)	(63)	(24)	(320)	(34)	(2,373)
Depreciation and amortization expense	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-
Other income	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25</u>	<u>-</u>
Total Other Income (Expense)	<u>(1,036)</u>	<u>(39,535)</u>	<u>(410)</u>	<u>(63)</u>	<u>(24)</u>	<u>(320)</u>	<u>(9)</u>	<u>(2,373)</u>
Net Income (Loss)	2,151	419,313	(9,132)	164	(253)	(5,686)	5,888	55,679
Members' Equity (Deficit), December 31, 2016	-	-	-	-	-	-	-	-
Distributions	(174)	-	-	-	-	-	-	-
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Members' Equity (Deficit), December 31, 2017	<u>\$ 1,977</u>	<u>\$ 419,313</u>	<u>\$ (9,132)</u>	<u>\$ 164</u>	<u>\$ (253)</u>	<u>\$ (5,686)</u>	<u>\$ 5,888</u>	<u>\$ 55,679</u>

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, 2017

	HALO Medical Funding, LLC	Rocky Mountain Medical Funding, LLC	ONYX Medical Funding Group, LLC	APEX Injury Network, LLC	Atlanta Health Funding	Eliminations	Consolidated
Service revenue	\$ 262,274	\$ -	\$ 1,485	\$ 855	\$ 10,315	\$ -	\$ 38,185,992
Provision for uncollectible service revenue	(89,172)	-	(504)	(291)	(3,507)	-	(17,212,202)
Increased provision for change in estimate	(47,209)	-	(267)	(154)	(1,857)	-	(35,152,308)
Management fee income	-	-	-	-	-	(1,103,253)	-
Revenues, Net	<u>125,893</u>	<u>-</u>	<u>714</u>	<u>410</u>	<u>4,951</u>	<u>(1,103,253)</u>	<u>(14,178,518)</u>
Cost of Services	<u>66,597</u>	<u>-</u>	<u>564</u>	<u>299</u>	<u>4,126</u>	<u>-</u>	<u>12,622,840</u>
Gross Profit (Loss)	59,296	-	150	111	825	(1,103,253)	(26,801,358)
General and Administrative Expenses	<u>3,871</u>	<u>8,641</u>	<u>1,391</u>	<u>635</u>	<u>409</u>	<u>(1,103,253)</u>	<u>5,175,528</u>
Income (Loss) from Operations	55,425	(8,641)	(1,241)	(524)	416	-	(31,976,886)
Other Income (Expense)							
Interest income from notes receivable	-	-	-	-	-	-	25,167
Interest income from intercompany loans receivable	-	-	-	-	-	(6,772,572)	-
Interest expense from intercompany loans payable	(3,468)	(295)	(55)	-	-	6,772,572	-
Depreciation and amortization expense	-	-	-	-	-	-	(176,612)
Interest expense	-	-	-	-	-	-	(5,988,195)
Other income	-	-	-	-	-	-	29,246
Total Other Income (Expense)	<u>(3,468)</u>	<u>(295)</u>	<u>(55)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,110,394)</u>
Net Income (Loss)	51,957	(8,936)	(1,296)	(524)	416	-	(38,087,280)
Members' Equity (Deficit), December 31, 2016	-	-	-	-	-	-	66,678,104
Distributions	-	-	-	-	-	-	(881,878)
Contributions	-	-	-	-	-	(3,475,000)	228,212
Members' Equity (Deficit), December 31, 2017	<u>\$ 51,957</u>	<u>\$ (8,936)</u>	<u>\$ (1,296)</u>	<u>\$ (524)</u>	<u>\$ 416</u>	<u>\$ (3,475,000)</u>	<u>\$ 27,937,158</u>

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, 2017 and 2016

	2017	2016
General and Administrative Expenses		
Salaries and wages	\$ 2,780,154	\$ 2,256,814
Loan fees	592,536	53,190
Professional fees	494,559	798,865
Office expense	331,200	206,033
Contracted services	232,058	1,291,912
Commission expense	194,645	-
Rent	147,286	115,553
Advertising	117,087	38,841
Insurance	104,743	103,905
Meals and entertainment	60,045	28,636
Utilities	59,894	52,533
Bank service fees	46,962	37,883
Management fee	-	250,000
Other	14,359	26,128
Total General and Administrative Expenses	\$ 5,175,528	\$ 5,260,293

See independent auditors' report.