MEDICAL TRANSCRIPTION BILLING, CORP
Form 424B4
November 04, 2015

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Registration No. 333-205664

PROSPECTUS

Medical Transcription Billing, Corp.
204,000 Shares of 11% Series A Cumulative Redeemable Perpetual Preferred Stock
$25.00 Per Share
Liquidation Preference $25.00 Per Share

We are offering 204,000 shares of our 11% Series A Cumulative Redeemable Perpetual Preferred Stock, which we refer to as the Series A Preferred Stock.

Dividends on the Series A Preferred Stock are cumulative from the date of original issue and will be payable on the fifteenth day of each calendar month commencing December, 2015 when, as and if declared by our board of directors. Dividends will be payable out of amounts legally available therefor at a rate equal to 11% per annum per $25.00 of stated liquidation preference per share, or $2.75 per share of Series A Preferred Stock per year. We will place proceeds equal to two years of dividends into a separate bank account to be used to pay Series A Preferred Stock dividends, however, after the first quarter in which our Adjusted EBITDA is greater than the quarterly dividend, the proceeds then remaining in this account may be used for any corporate purpose.

Commencing on November 4, 2020, we may redeem, at our option, the Series A Preferred Stock, in whole or in part, at a cash redemption price of $25.00 per share, plus all accrued and unpaid dividends to, but not including, the redemption date. The Series A Preferred Stock has no stated maturity, will not be subject to any sinking fund or other mandatory redemption, and will not be convertible into or exchangeable for any of our other securities.

Holders of the Series A Preferred Stock generally will have no voting rights except for limited voting rights if dividends payable on the outstanding Series A Preferred Stock are in arrears for eighteen or more consecutive or non-consecutive monthly dividend periods.

Our Common Stock currently trades on the NASDAQ Capital Market, with the trading symbol MTBC. There is no established trading market for the Series A Preferred Stock. Subject to issuance of the offered shares, our Series A Preferred Stock has been approved for listing on the NASDAQ Capital Market, and the trading symbol will be MTBCP.

It is a condition to this offering that our officers and directors purchase not less than $100,000 of Series A Preferred Stock at the public offering price. The underwriters will not receive any discounts or commissions with respect to such purchases. As of September 30, 2015, the executive officers and directors beneficially own 4,922,087 of the

outstanding shares of our common stock, representing approximately 44.5% of the outstanding shares of our common stock.

Chardan Capital Markets, LLC is acting as representative of the underwriters in the public offering on a firm commitment basis. If we sell all 204,000 shares of Series A Preferred Stock we are offering pursuant to this prospectus, excluding the underwriters over-allotment option and assuming an offering price of $25.00 per share, we will receive a maximum of $5.1 million in gross proceeds and approximately $4.0 million in net proceeds, after deducting the underwriting discount and estimated offering expenses payable by us.

See Use of Proceeds in this prospectus. There is no arrangement for funds to be received in escrow, trust or similar arrangement. We expect the Series A Preferred Stock will be ready for delivery in book-entry form through The Depositary Trust Company on or about November 9, 2015.

Investing in our Series A Preferred Stock involves significant risks. You should carefully consider the risk factors beginning on page 15 of this prospectus before purchasing any of the Series A Preferred Stock offered by this prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Share	Total
Public offering price	$25.00	$5,100,000
Underwriting discount[(1)]	$2.125	$433,500
Proceeds, before expenses, to MTBC	$22.875	$4,666,500

(1) See Underwriting for a description of the compensation payable to the underwriters; including reimbursable expenses.

The underwriters may also exercise their option to purchase up to an additional 30,600 shares of Series A Preferred Stock from us, at the public offering price, less the underwriting discount, for a period of 45 days after closing of the offering.

The underwriters expect to deliver the shares against payment in New York, New York on November 9, 2015.

Chardan Capital Markets, LLC **Boenning & Scattergood, Inc.**

Prospectus dated November 3, 2015.

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You should rely only on the information contained or incorporated into this prospectus. Neither we nor the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date. You should also read this prospectus together with the additional information described under Where You Can Find More Information and Incorporation of Information by Reference.

Unless the context otherwise requires, we use the terms MTBC, we, us, the Company and our to refer Medical Transcription Billing, Corp. and its wholly-owned subsidiaries.

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INCORPORATION OF INFORMATION BY REFERENCE

The SEC allows us to incorporate by reference into this prospectus information we file with the SEC in other documents. This means that we can disclose important information to you by referring to another document we filed with the SEC. The information relating to us contained in this prospectus should be read together with the information in the documents incorporated by reference.

We incorporate by reference, as of their respective dates of filing, the documents listed below, excluding any portions of such documents that have been furnished but not filed for purposes of the Securities Exchange Act of 1934, as amended (the Exchange Act):

our Annual Report on Form 10-K for the year ended December 31, 2014 filed with the SEC on March 31, 2015;
our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 filed with the SEC on May 13, 2015;
our Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 filed with the SEC on August 12, 2015;
our Definitive Proxy Statement on Schedule 14A filed with the SEC on April 30, 2015; and
our Current Reports on Form 8-K, filed with the SEC on each of August 28, 2014, January 12, 2015, February 25, 2015, March 12, 2015, March 27, 2015, May 13, 2015, May 21, 2105, June 11, 2015, June 12, 2015, two filed on July 14, 2015, August 12, 2015, September 3, 2015 and September 24, 2015.

Any statement incorporated by reference in this prospectus from an earlier dated document that is inconsistent with a statement contained in this prospectus or in any other document filed after the date of the earlier dated document, but prior to the date hereof, which also is incorporated by reference into this prospectus, shall be deemed to be modified or superseded for purposes of this prospectus by such statement contained in this prospectus or in any other document filed after the date of the earlier dated document, but prior to the date hereof, which also is incorporated by reference into this prospectus.

Any person, including any beneficial owner, to whom this prospectus is delivered may request copies of this prospectus and any of the documents incorporated by reference into this prospectus, without charge, by written or oral request directed to MTBC, 7 Clyde Road, Somerset, New Jersey, Telephone: (732) 873-5133, x133 or from the SEC through the SEC s Internet website at the address provided under Where You Can Find More Information. Documents incorporated by reference into this prospectus are available without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference into those documents.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled Prospectus Summary, Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements within the meaning of the federal securities laws. These statements relate to anticipated future events, future results of operations or future financial performance. In some cases, you can identify forward-looking statements by terminology such as may, might, will, should, intends, expects, plans, goals, projects, anticipates, believes, estimates, continue or the negative of these terms or other comparable terminology. These forward-looking statements include, but are not limited to:

- our ability to manage our growth, including acquiring and effectively integrating other businesses into our infrastructure;
- our ability to retain our customers, including effectively migrating and keeping new customers acquired through business acquisitions;
- our ability to attract and retain key officers and employees, including Mahmud Haq, our CEO, and personnel critical to the transitioning and integration of our newly acquired businesses;
- our ability to raise capital and obtain financing on acceptable terms;
- our ability to compete with other companies developing products and selling services competitive with ours, and who may have greater resources and name recognition than we have;
- our ability to maintain operations in Pakistan in a manner that continues to enable us to offer competitively-priced products and services;
- our ability to keep and increase market acceptance of our products and services;
- our ability to keep pace with a changing healthcare industry and its rapidly evolving technology demands and regulatory environment;
- our ability to protect and enforce intellectual property rights; and
- our ability to maintain and protect the privacy of customer and patient information.

These forward-looking statements are only predictions, are uncertain and involve substantial known and unknown risks, uncertainties and other factors which may cause our (or our industry s) actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements. The Risk Factors section of this prospectus sets forth detailed risks, uncertainties and cautionary statements regarding our business and these forward-looking statements. Moreover, we operate in a very competitive and rapidly changing regulatory environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all of the risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus.

We cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus. These cautionary statements should be considered with any written or oral forward-looking statements that we may issue in the future. Except as required by applicable law, including the securities laws of the U.S., we do not intend to update any of the forward-looking statements to conform these statements to reflect actual results, later events or circumstances or to reflect the occurrence of unanticipated events. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or other investments or strategic transactions we may engage in.

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THE OFFERING

The following summary contains basic terms about this offering and the Series A Preferred Stock and is not intended to be complete. It may not contain all of the information that is important to you. For a more complete description of the terms of the Series A Preferred Stock, see Description of the Series A Preferred Stock.

Issuer

Medical Transcription Billing, Corp.

Securities Offered

204,000 shares of 11% Series A Cumulative Redeemable Perpetual Preferred Stock (or Series A Preferred Stock)

Offering Price

$25.00 per share of Series A Preferred Stock

Dividends

Holders of the Series A Preferred Stock will be entitled to receive cumulative cash dividends at a rate of 11% per annum of the $25.00 per share liquidation preference (equivalent to $2.75 per annum per share).

We will place proceeds equal to two years of dividends into a separate bank account to be used to pay Series A Preferred Stock dividends. However, after the first quarter in which our Adjusted EBITDA is greater than the quarterly dividend, the proceeds then remaining in this account may be used for any corporate purpose. Whether or not this account is exhausted, our obligation to pay Series A Preferred dividends will not be affected. For information on how we define and calculate Adjusted EBITDA, and a reconciliation of net income to Adjusted EBITDA, see the section titled Selected Historical Financial Data.

Dividends will be payable monthly on the 15th day of each month (each, a dividend payment date), provided that if any dividend payment date is not a business day, then the dividend that would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day without adjustment in the amount of the dividend. Dividends will be payable to holders of record as they appear in our stock records for the Series A Preferred Stock at the close of business on the corresponding record date, which shall be the last day of the calendar month, whether or not a business day, in which the applicable dividend payment date falls (each, a dividend record date). As a result, holders of shares of Series A Preferred Stock will not be entitled to receive dividends on a dividend payment date if such shares were not issued and outstanding on the applicable dividend record date.

No Maturity, Sinking Fund or Mandatory Redemption

The Series A Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption. Shares of the Series A Preferred Stock will remain outstanding indefinitely unless we decide to redeem or otherwise repurchase them. We are not required to set aside funds to redeem the Series A Preferred Stock.

Optional Redemption

The Series A Preferred Stock is not redeemable by us prior to November 4, 2020. On and after November 4, 2020, we may, at our option, redeem the Series A Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price equal to $25.00 per share, plus any accumulated and unpaid

dividends to, but not including, the redemption date. Please see the section entitled Description of the Series A Preferred Stock Redemption Optional Redemption.

Special Optional Redemption

Upon the occurrence of a Change of Control, we may, at our option, redeem the Series A Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends to, but not including, the redemption date.

A Change of Control is deemed to occur when, after the original issuance of the Series A Preferred Stock, the following have occurred and are continuing:

the acquisition by any person, including any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act (other than Mahmud Haq, the chairman of our board of directors and our principal shareholder, any member of his immediate family, and any person or group under Section 13(d)(3) of the Exchange Act, that is controlled by Mr. Haq or any member of his immediate family, any beneficiary of the estate of Mr. Haq, or any trust, partnership, corporate or other entity controlled by any of the foregoing), of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of our stock entitling that person to exercise more than 50% of the total voting power of all our stock entitled to vote generally in the election of our directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the NYSE, the NYSE MKT or the NASDAQ Stock Market (NASDAQ), or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or NASDAQ.

Liquidation Preference

If we liquidate, dissolve or wind up, holders of the Series A Preferred Stock will have the right to receive $25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date of payment, before any payment is made to the holders of our common stock. Please see the section entitled Description of the Series A Preferred Stock Liquidation Preference.

Ranking

The Series A Preferred Stock will rank, with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up, (1) senior to all classes or series of our common stock and to all other equity securities issued by us other than equity securities referred to in clauses (2) and (3); (2) on a parity with all equity securities issued by us with terms specifically providing that those equity securities rank on a parity with the Series A Preferred Stock with respect to rights to the

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payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up; (3) junior to all equity securities issued by us with terms specifically providing that those equity securities rank senior to the Series A Preferred Stock with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up; and (4) effectively junior to all of our existing and future indebtedness (including indebtedness convertible into our common stock or preferred stock) and to the indebtedness and other liabilities of (as well as any preferred equity interests held by others in) our existing subsidiaries and any future subsidiaries. Please see the section entitled Description of the Series A Preferred Stock Ranking.

Limited Voting Rights

Holders of Series A Preferred Stock will generally have no voting rights. However, if we do not pay dividends on the Series A Preferred Stock for eighteen or more monthly dividend periods (whether or not consecutive), the holders of the Series A Preferred Stock (voting separately as a class with the holders of all other classes or series of our preferred stock we may issue upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series A Preferred Stock in the election referred to below) will be entitled to vote for the election of two additional directors to serve on our board of directors until we pay, or declare and set aside funds for the payment of, all dividends that we owe on the Series A Preferred Stock, subject to certain limitations described in the section entitled Description of the Series A Preferred Stock Voting Rights. In addition, the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock is required at any time for us to authorize or issue any class or series of our capital stock ranking senior to the Series A Preferred Stock with respect to the payment of dividends or the distribution of assets on liquidation, dissolution or winding up, to amend any provision of our articles of incorporation so as to materially and adversely affect any rights of the Series A Preferred Stock or to take certain other actions. If any such amendments to our articles of incorporation would be material and adverse to holders of the Series A Preferred Stock and any other series of parity preferred stock upon which similar voting rights have been conferred and are exercisable, a vote of at least two-thirds of the outstanding shares of Series A Preferred Stock and the shares of the other applicable series materially and adversely affected, voting together as a class, would be required. Please see the section entitled Description of the Series A Preferred Stock Voting Rights.

Information Rights

During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any shares of Series A Preferred Stock are outstanding, we will use our best efforts to (i) transmit by mail (or other permissible means under the Exchange Act) to all holders of Series A Preferred Stock, as their names and addresses appear on our record books and without cost to such holders, copies of the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any

exhibits that would have been required) and (ii) promptly, upon request, supply copies of such reports to any holders or prospective holder of Series A Preferred Stock, subject to certain exceptions described in this prospectus. We will use our best efforts to mail (or otherwise provide) the information to the holders of the Series A Preferred Stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the SEC, if we were subject to Section 13 or 15(d) of the Exchange Act, in each case, based on the dates on which we would be required to file such periodic reports if we were a non-accelerated filer within the meaning of the Exchange Act.

Listing

Our common stock is listed on the NASDAQ Capital Market under the symbol MTBC. We have been approved to list the Series A Preferred Stock on the NASDAQ, and we expect that trading on the NASDAQ will commence immediately after the date of initial issuance of the Series A Preferred Stock with the trading symbol MTBCP . The underwriters have advised us that they intend to make a market in the Series A Preferred Stock prior to the commencement of any trading on the NASDAQ, but they are not obligated to do so and market making may be discontinued at any time without notice.

Use of Proceeds

We plan to use the net proceeds from this offering for acquisitions (we have not entered into any agreement or commitment with respect to any acquisitions or investments at this time), to fund organic growth initiatives and general corporate purposes. We will place proceeds equal to two years of dividends ($1.1 million based on an offering of $5.1 million of Series A Preferred) into a separate bank account to be used to pay Series A Preferred Stock dividends, however, after the first quarter in which our Adjusted EBITDA is greater than the quarterly dividend, the proceeds then remaining in this account may be used for any corporate purpose. Please see the section entitled Use of Proceeds.

Risk Factors

Please read the section entitled Risk Factors beginning on page 15 for a discussion of some of the factors you should carefully consider before deciding to invest in our Series A Preferred Stock.

Transfer Agent

The registrar, transfer agent and dividend and redemption price disbursing agent in respect of the Series A Preferred Stock will be VStock Transfer, LLC.

Material U.S. Federal Income Tax Considerations

For a discussion of the federal income tax consequences of purchasing, owning and disposing of the Series A Preferred Stock, please see the section entitled Material U.S. Federal Income Tax Considerations. You should consult your tax advisor with respect to the U.S. federal income tax consequences of owning the Series A Preferred Stock in light of your own particular situation and with respect to any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction.

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Book Entry and Form	The Series A Preferred Stock will be represented by one or more global certificates in definitive, fully registered form deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company (DTC).

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PROSPECTUS SUMMARY

The following summary highlights selected information contained in this prospectus. This summary does not contain all the information that may be important to you. You should read the more detailed information contained in this prospectus, including but not limited to, the risk factors beginning on page 15.

Medical Transcription Billing, Corp. (MTBC) is a healthcare information technology company that provides a fully integrated suite of proprietary web-based solutions, together with related business services, to healthcare providers practicing in ambulatory care settings. Our integrated Software-as-a-Service (or SaaS) platform helps our customers increase revenues, streamline workflows and make better business and clinical decisions, while reducing administrative burdens and operating costs. In addition to our experienced team in the United States, we currently employ a highly educated offshore workforce of approximately 1,800 employees, who we believe earn approximately one-tenth the salary of comparable U.S.-based employees, thus enabling us to deliver our solutions at competitive prices.

Our flagship offering, PracticePro, empowers healthcare practices with the core software and business services they need to address industry challenges, including the Patient Protection and Affordable Care Act (Affordable Care Act), on one unified SaaS platform. We deliver powerful, integrated and easy-to-use big practice solutions to small and medium practices, which enable them to efficiently operate their businesses, manage clinical workflows and receive timely payment for their services. PracticePro includes:

- Practice management solutions and related tools, which facilitate the day-to-day operation of a medical practice;
- Electronic health records (or EHR), which is easy to use, highly ranked by KLAS in a study of our users, and allows our customers to reduce paperwork, earn governmental and private payer incentives and avoid governmental penalties that begin this year for those providers who are not using a certified EHR like the one we offer;
- Revenue cycle management (or RCM) services, which include end-to-end medical billing, analytics, and related services; and
- Mobile Health (or mHealth) solutions, including smartphone applications that assist patients and healthcare providers in the provision of healthcare services.

On July 23, 2014, the Company completed its initial public offering (IPO) of common stock, and on July 28, 2014, the Company completed the acquisition of three revenue cycle management companies, Omni Medical Billing Services, LLC (Omni), Practicare Medical Management, Inc. (Practicare) and CastleRock Solutions, Inc. (CastleRock , and collectively with Omni and Practicare, the Acquired Businesses) for a combination of cash and common stock. With these acquisitions, the Company added a significant number of clients to the Company s customer base and, similar to other acquisitions, broadened the Company s presence in the healthcare information technology industry through geographic expansion of its customer base and by increasing available customer relationship resources and specialized trained staff.

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Growth in Practices and Providers

As of June 30, 2015, we served 817 practices representing approximately 1,760 providers, practicing in 60 specialties and subspecialties, in 43 states. As of June 30, 2014, we served 411 practices representing approximately 975 providers, practicing in 49 specialties and subspecialties, in 35 states. Approximately 98% of the practices we serve consist of one to ten providers, with the majority of the practices we serve being primary care providers. However, our solutions are scalable and are appropriate for larger healthcare practices across a wide range of specialty areas. In fact, our largest customer is a hospital-based group with approximately 120 providers.

Revenue Growth

For the year ended December 31, 2014 our total revenue was $18.3 million, an increase of 75% over our revenue of $10.5 million for the year ended December 31, 2013. For the twelve months ended June 30, 2015, our total revenue was $25.2 million, an increase of 38% over our revenue of $18.3 million for the year ended December 31, 2014. For the six months ended June 30, 2015 our total revenue was $12.1 million, an increase of 133% over our revenue of $5.2 million for the six months ended June 30, 2014. Much of the growth in revenue was due to the acquisition of the Acquired Businesses in July 2014.

For the year ended December 31, 2014 and the six months ended June 30, 2015 our net loss was $4.5 million and $2.7 million, respectively. The losses include $2.5 million and $2.1 million of non-cash amortization expenses related to purchased intangible assets from the acquisition of the Acquired Businesses.

For the year ended December 31, 2014 and the six months ended June 30, 2015 our Adjusted EBITDA was ($1.7 million) and ($805,000), respectively. The negative Adjusted EBITDA is a result of a significant overlap in expenses, paying for new employees offshore while retaining many employees from the Acquired Businesses, which will diminish as a result of cost reductions during the first quarter. We had 205 employees in the U.S. on January 1, 2015 and 79 employees on June 30, 2015, so the full effect of this savings will be realized during the second half of 2015. Since Adjusted EBITDA is closely related to our cash flow from operations, management uses Adjusted EBITDA as a financial measure to evaluate the profitability and efficiency of our business model. For information on how we define and calculate Adjusted EBITDA, and a reconciliation of net income to Adjusted EBITDA, see the section titled Selected Historical Financial Data.

Including the employees of our subsidiaries, we currently employ approximately 1,900 people worldwide on a full-time basis. We also use the services of a number of part time employees. In addition, all officers work on a full-time basis.

Our growth strategy includes acquiring or partnering with smaller revenue cycle management companies and then migrating the customers of those companies to our solutions. The revenue cycle management service industry is highly fragmented, with many local and regional revenue cycle management companies serving small medical practices. We believe that the industry is ripe for consolidation and that we can achieve significant growth through acquisitions. Likewise, we see significant opportunities to pursue partnerships with

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other billing companies whereby we provide services and our technology directly to their customers and then share a portion of the revenue generated from these customers with our partner billing company; in fact, we have entered into two such arrangements over the last twelve months. We estimate that there are more than 1,500 companies in the United States providing revenue cycle management services and that no one company has more than a 5% share of the market. We further believe that it is becoming increasingly difficult for traditional revenue cycle management companies to meet the growing technology and business service needs of healthcare providers without a significant investment in information technology infrastructure.

In addition, our growth strategy includes strategic partnerships with other industry participants, including electronic health records vendors, in which the vendors refer customers to our services. While we offer our own electronic health records, our strategy includes providing integrated offerings utilizing third party electronic health records while offering customers MTBC s revenue cycle management, practice management and mobile health capabilities.

Industry Overview

The modern American healthcare industry is characterized by inefficiencies, waste, complexity, an underutilization of technology and a lack of transparency. According to a report issued by the Centers for Medicare & Medicaid Services, approximately $2.9 trillion was spent in the United States on healthcare in 2013, which is 17.4% of Gross Domestic Product (GDP). Two 2014 studies, by the Harvard School of Public Health and PricewaterhouseCoopers, estimated that 30% 33% of that spending was wasteful, not improving the quality of care that patients receive. According to the Centers for Medicare and Medicaid Services Health, spending is projected to grow at an average rate of 5.7% for 2013 2023, 1.1 percentage points faster than expected average annual growth in the GDP. Healthcare spending in the United States is widely viewed as growing at an unsustainable rate, and policymakers and payers are continuously seeking ways to reduce that growth.

The Affordable Care Act and other recent legislative, regulatory and industry drivers are directed toward addressing many of these challenges. For decades, the U.S. healthcare delivery system has been characterized by a vast cottage industry of small, independent practices functioning in a low-technology fee-for-service environment. During 2013, there were more than 500,000 U.S. physicians practicing in ambulatory care settings and it is estimated that approximately 70% of these providers are practicing in groups with 10 or fewer physicians. Recent changes in the industry, including legislative reform and increasing reimbursement complexity, have created significant opportunities for MTBC, as traditional practice tools are not well-suited for the modern medical practice.

Increasingly Complex Reimbursement Processes. New laws and payer requirements have further complicated insurance reimbursement processes. For example, Medicare, Medicaid and commercial insurances are increasingly requiring proof of adherence to best practices and improved patient health outcomes to support full reimbursement. Moreover, an upcoming shift to a new generation of insurance codes will dramatically increase the complexity associated with selecting appropriate procedure and diagnosis codes needed to support proper claim reimbursement.

Movement Toward Healthcare Information Technology. Since 2011, the federal government has offered financial incentives to eligible healthcare providers who adopt and meaningfully use electronic health records technology. Beginning this year, providers who are not meaningfully using this technology incur penalties and these penalties will increase every year through 2019. While these incentives and looming penalties have encouraged many providers to adopt and meaningfully use electronic health records software, we believe that most providers are not utilizing an integrated platform that combines practice management, business intelligence, and revenue cycle management. The lack of an integrated platform leaves them ill-equipped to address the multitude of rapidly growing industry challenges.

Shift in Focus to Preventive Care. In an effort to avoid the negative health effects and increased costs associated with undetected and untreated chronic conditions, the Affordable Care Act requires most health insurance plans to provide co-payment and deductible-free coverage for preventive health services, such as annual well visits. Many believe that this shift in focus will, in the long-term, reduce costs and improve patient health.

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Inaccessibility of Critical Data. To thrive in the emerging healthcare landscape, healthcare practices need timely information, such as health insurance plan eligibility and coverage details, provider performance and productivity data and clinical and reimbursement benchmarking. However, we believe that most small and medium size practices do not have access to this type of real-time data, business intelligence and analytical tools and thus struggle to efficiently operate their practices and make optimal decisions.

Competition

The market for practice management, EHR and RCM information solutions and related services is highly competitive, and we expect competition to increase in the future. We face competition from other providers of both integrated and stand-alone practice management, EHR and RCM solutions, including competitors who utilize a web-based platform and providers of locally installed software systems. Our competitors include larger healthcare IT companies, such as athenahealth, Inc., Allscripts Healthcare Solutions, Inc. and Greenway Medical Technologies, Inc.

Our Solution

We believe that our fully integrated solutions uniquely address the challenges in the industry, including those presented by the Affordable Care Act. Our solutions dramatically simplify the complexities inherent in the reimbursement process and thereby deliver objectively superior results, such as reduced claim denial rates, improved customer days in accounts receivable, reduced patient no-shows, increased well visit encounters and reimbursement. Our solutions empower our customers with the real-time data they need to be efficient and make better decisions, such as real-time insurance eligibility and deductible details, provider productivity details and payer benchmarking.

Our fully integrated suite of technology and business service solutions is designed to enable healthcare practices to thrive in the midst of a rapidly changing environment in which managing reimbursement, clinical workflows and day-to-day administrative tasks is becoming increasingly complex, costly and time-consuming. Moreover, the standard offering fee for our complete, integrated, end-to-end solution is among the lowest in the industry and it is based on a percentage of our clients revenues, thereby aligning our interest.

Our Business Strategy

Our objective is to become the leading provider of integrated, end-to-end software and business service solutions to healthcare providers practicing in an ambulatory setting. To achieve this objective, we employ the following strategies:

Provide comprehensive practice management, electronic health records, revenue cycle management and mobile health solutions to small and medium size healthcare practices. We believe that physician practices are in need of an integrated, end-to-end solution, such as the solution that MTBC provides, to manage the different facets of their businesses, from clinical documentation to claim submission and financial reporting.

Provide exceptional customer service. We realize that our success is tied directly to our customers success. Accordingly, a substantial portion of our highly trained and educated workforce is devoted to customer service activities.

Leverage significant cost advantages provided by our skilled offshore workforce. Our business model includes our web-based software and a cost-effective offshore workforce based in Pakistan, where labor costs are half of India. We have approximately 20 offshore employees for each U.S. employee. We believe that this operating model provides us with significant cost advantages compared to our competitors and it allows us to significantly reduce the operational

costs of the companies we acquire.

Pursue strategic acquisitions. Approximately 61% of our current medical billing customer practices, representing approximately 75% of our first half of 2015 revenue, were obtained through strategic transactions with revenue cycle management companies including the Acquired Businesses. With most of our acquisition transactions, our goal is to retain the acquired customers over the

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long-term and migrate those customers to our platform soon after closing. Following the three acquisitions completed on July 28, 2014, we successfully migrated 90% of acquired customers to our platform by June 30, 2015, and retained 64% of acquired customers from the acquisition date through June 30, 2015.

Leverage strategic partnerships. A portion of our current customers were initially referred to MTBC by one of our existing or former channel partners. We have entered into new channel partnership agreements with various industry-leading vendors, including other leading electronic health records vendors. We have also signed two revenue sharing arrangements with small medical billing companies, where we take over servicing their clients and pay the partner a percent of the cash we collect. In conjunction with these partnerships, we help round-out our partners service offerings, while receiving referrals and sharing a portion of our revenues with these partners.

Our Service Offerings

We offer a suite of fully-integrated, web-based SaaS platform and business services designed for healthcare providers. Our products and services offer healthcare providers a unified solution designed to meet the healthcare industry s demand for the delivery of cost-efficient, quality care with measureable outcomes. The four primary components of our proprietary web-based suite of services are: (i) practice management applications, (ii) a certified electronic health records solution, (iii) revenue cycle management services and (iv) mobile health applications.

Our flagship product, PracticePro, provides our clients with a seamlessly-integrated, end-to-end solution. Our web-based electronic health records are also available to customers as a standalone product. We regularly update our software platform with the goal of staying on the leading edge of industry developments, payer reimbursements trends and new regulations.

Web-based Practice Management Application

Our proprietary, web-based practice management application automates the labor-intensive workflow of a medical office in a unified and streamlined SaaS platform. The various functions of the platform collectively support the entire workflow of the day-to-day operations of a medical office in an intuitive and user-friendly format. For example, our platform provides office staff with real-time insurance details to allow them to more efficiently collect patient payments; its automated appointment reminders reduce patient no-show rates, and scheduling functionality results in increased reimbursable patient well visit appointments. A simple, individual and secure login to our web-based platform gives physicians, other healthcare providers and staff members access to a vast array of real time practice management data which they can access at the office or from any other location where they can access the Internet. Users can customize the Practice Dashboard to display only the most useful and relevant information needed to carry out their particular functions. We believe that this streamlined and centralized automated workflow allows providers to focus on delivering quality patient care rather than office administration.

Web-based Electronic Health Records

Our web-based electronic health records solution is one of the approximately 350 unique ambulatory electronic health record products that, as of August 2015, has received 2014 Edition ONC-ACB certification as a Complete Ambulatory electronic health records solution. Moreover, in a previous study, KLAS, a leading independent industry assessor of healthcare information technology products, issued its annual electronic health records ranking and MTBC placed number five in our target market, which is healthcare practices with one to ten providers, outperforming most leading electronic health records. A healthcare provider can use our solution to demonstrate meaningful use under federal law to earn incentives and avoid penalties. Our web-based electronic health records allow a provider to view all patient information in one online location, thus avoiding the need for numerous paper-based charts and records for each patient. Utilizing our web-based electronic health records solution, providers can track patients from their initial

appointments; chart clinical data, history, and other personal information; enter and submit claims for medical services; and review and respond to queries for additional information regarding the billing process. Additionally, the electronic health record software delivers a robust document management system to enable providers to transition to paperless environments. The document management function makes available electronic connectivity between practitioners and patients, thereby streamlining patient care coordination and communications.

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Revenue Cycle Management and other Technology-driven Business Services

Our proprietary revenue cycle management offering is designed to improve the medical billing reimbursement process, allowing healthcare providers to accelerate and increase collections, reduce errors in claim submission and streamline workflow to free up practitioners to focus on patient care. Customers using PracticePro generally see an improvement in their collections, as illustrated by the following metrics for the twelve months ended June 30, 2015:

Our first pass acceptance rate is 96%.
Our first pass resolution rate is 94%.
Our clients median days in accounts receivable is 37 days for primary care and 40 days for combined specialties.
These rates are among the most competitive in the industry and compare favorably with the published performance of our largest competitor, among others. Our revenue cycle management service employs a proprietary rules-based system designed and constantly updated by our knowledgeable workforce, who screens and scrubs claims prior to submission for payment.

Mobile Health Solutions

The functionality of our cloud-based platform is extended to mobile devices through our integrated suite of mobile health applications. These mobile health applications include physician end-user tools that support, among other things, electronic prescribing, the capture of billing charges in the current medical coding formats, and the creation and secure transfer of clinical audio notes that are converted into text and billing charges. We also offer iCheckIn, a patient check-in app for iOS and Android-based tablet devices. Our patient applications allow patients to access their medical information, securely communicate with their doctors office, schedule appointments, request prescription refills, pay balances and check-in for office appointments.

Clearinghouse

In conjunction with an acquisition, we recently launched a standalone insurance clearinghouse service, which includes electronic claim submissions and payment remittances, insurance eligibility verification, electronic data interchange (EDI) services and related solutions for healthcare providers and industry vendors throughout the country. Our clearinghouse division presently serves more than 2,000 healthcare providers. We expect that the clearinghouse division client base will present a significant opportunity for potential cross-selling to PracticePro and similar solutions.

Voting Rights of Our Directors, Executive Officers, and Principal Stockholders

Our directors and officers currently hold 44.5% of both the shares of our common stock and voting power of our common stock and have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors, as well as the overall management and direction of our company. In addition, 9.5% of the shares and voting power of our common stock are held by the former shareholders of Omni, one of the Acquired Businesses.

Corporate Information

We were incorporated in Delaware on September 28, 2001 under the name Medical Transcription Billing, Corp. Our principal executive offices are located at 7 Clyde Road, Somerset, New Jersey 08873, and our telephone number is (732) 873-5133. Our website address is *www.mtbc.com.* Information contained on, or that can be accessed through, our website is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this prospectus.

MTBC, MTBC.com and A Unique Healthcare IT Company, and other trademarks and service marks of MTBC appearing in this prospectus are the property of MTBC. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of their respective holders.

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We are an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. We will remain an emerging growth company until the earlier of the last day of the fiscal year following the fifth anniversary of the completion of this offering, the last day of the fiscal year in which we have total annual gross revenue of at least $1.0 billion, the date on which we are deemed to be a large accelerated filer (this means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the end of the second quarter of that fiscal year), or the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period. An emerging growth company may take advantage of specified reduced reporting requirements and is relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company:

We present only two years of audited financial statements and only two years of related management s discussion and analysis of financial condition and results of operations.

We avail ourselves of the exemption from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002.

We provide less extensive disclosure about our executive compensation arrangements.

We do not require shareholder non-binding advisory votes on executive compensation or golden parachute arrangements.

However, we chose to opt out of the extended transition periods available under the JOBS Act for complying with new or revised accounting standards.

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RISK FACTORS

An investment in our securities involves a high degree of risk. You should carefully consider the risks and uncertainties described in this prospectus and the documents incorporated by reference into this prospectus. The risks and uncertainties described in this prospectus are not the only ones we face. Additional risks and uncertainties that we do not presently know about or that we currently believe are not material may also adversely affect our business, business prospects, results of operations or financial condition. If any of the risks and uncertainties described in this prospectus or the documents incorporated by reference into this prospectus actually occurs, then our business, results of operations and financial condition could be adversely affected in a material way. This could cause the market price of the Series A Preferred Stock to decline, perhaps significantly, and you may lose part or all of your investment.

Risks Related to this Offering and Ownership of Shares of Our Series A Preferred Stock

The Series A Preferred Stock ranks junior to all of our indebtedness and other liabilities.

In the event of our bankruptcy, liquidation, dissolution or winding-up of our affairs, our assets will be available to pay obligations on the Series A Preferred Stock only after all of our indebtedness and other liabilities have been paid. The rights of holders of the Series A Preferred Stock to participate in the distribution of our assets will rank junior to the prior claims of our current and future creditors and any future series or class of preferred stock we may issue that ranks senior to the Series A Preferred Stock. Also, the Series A Preferred Stock effectively ranks junior to all existing and future indebtedness and to the indebtedness and other liabilities of our existing subsidiaries and any future subsidiaries. Our existing subsidiaries are, and future subsidiaries would be, separate legal entities and have no legal obligation to pay any amounts to us in respect of dividends due on the Series A Preferred Stock. If we are forced to liquidate our assets to pay our creditors, we may not have sufficient assets to pay amounts due on any or all of the Series A Preferred Stock then outstanding. We have incurred and may in the future incur substantial amounts of debt and other obligations that will rank senior to the Series A Preferred Stock. At August 31, 2015, our total liabilities (excluding contingent consideration, which is not payable in cash) equaled approximately $7.8 million.

Certain of our existing or future debt instruments may restrict the authorization, payment or setting apart of dividends on the Series A Preferred Stock. Our Credit Agreement with Opus Bank restricts the payment of dividends in the event of any event of default, including failure to meet certain financial covenants. Further, existing and future debt instruments have senior claims to the separate bank account we are establishing to deposit two years of dividends on the Series A Preferred Stock. There can be no assurance that we will always remain in compliance with the Opus Credit Agreement, and if we default, we may be contractually prohibited from paying dividends on the Series A Preferred Stock and amounts in the separate bank account we are establishing to deposit two years of dividends may be depleted if such a default occurred. Also, future offerings of debt or senior equity securities may adversely affect the market price of the Series A Preferred Stock. If we decide to issue debt or senior equity securities in the future, it is possible that these securities will be governed by an indenture or other instruments containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of the Series A Preferred Stock and may result in dilution to owners of the Series A Preferred Stock. We and, indirectly, our shareholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of

our future offerings. The holders of the Series A Preferred Stock will bear the risk of our future offerings, which may reduce the market price of the Series A Preferred Stock and will dilute the value of their holdings in us.

There is no existing market for our Series A Preferred Stock and a trading market that will provide you with adequate liquidity may not develop for our Series A Preferred Stock.

The Series A Preferred Stock is a new issue of securities and currently no market exists for the Series A Preferred Stock. Our Series A Preferred Stock has been approved for listing on the NASDAQ Capital Market. However, a trading market for the Series A Preferred Stock may never develop or, even if one develops, may

not be maintained and may not provide you with adequate liquidity. The liquidity of any market for the Series A Preferred Stock that may develop will depend on a number of factors, including prevailing interest rates, our financial condition and operating results, the number of holders of the Series A Preferred Stock, the market for similar securities and the interest of securities dealers in making a market in the Series A Preferred Stock. We cannot predict the extent to which investor interest in our company will lead to the development of a trading market in our Series A Preferred Stock, or how liquid that market might be. If an active market does not develop, you may have difficulty selling your shares of our Series A Preferred Stock. The price of our Series A Preferred Stock was determined by the negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the open market following the completion of this offering.

We may issue additional shares of Series A Preferred Stock and additional series of preferred stock that rank on parity with the Series A Preferred Stock as to dividend rights, rights upon liquidation or voting rights.

We are allowed to issue additional shares of Series A Preferred Stock and additional series of preferred stock that would rank equally to or above the Series A Preferred Stock as to dividend payments and rights upon our liquidation, dissolution or winding up of our affairs pursuant to our articles of incorporation and the articles of amendment relating to the Series A Preferred Stock without any vote of the holders of the Series A Preferred Stock. The issuance of additional shares of Series A Preferred Stock and additional series of preferred stock could have the effect of reducing the amounts available to the Series A Preferred Stock issued in this offering upon our liquidation or dissolution or the winding up of our affairs. It also may reduce dividend payments on the Series A Preferred Stock issued in this offering if we do not have sufficient funds to pay dividends on all Series A Preferred Stock outstanding and other classes or series of stock with equal priority with respect to dividends.

Also, although holders of Series A Preferred Stock are entitled to limited voting rights, as described in Description of the Series A Preferred Stock Voting Rights, with respect to the circumstances under which the holders of Series A Preferred Stock are entitled to vote, the Series A Preferred Stock will vote separately as a class along with all other series of our preferred stock that we may issue upon which like voting rights have been conferred and are exercisable. As a result, the voting rights of holders of Series A Preferred Stock may be significantly diluted, and the holders of such other series of preferred stock that we may issue may be able to control or significantly influence the outcome of any vote.

Future issuances and sales of senior or pari passu preferred stock, or the perception that such issuances and sales could occur, may cause prevailing market prices for the Series A Preferred Stock and our common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at times and prices favorable to us.

Market interest rates may materially and adversely affect the value of the Series A Preferred Stock.

One of the factors that will influence the price of the Series A Preferred Stock will be the dividend yield on the Series A Preferred Stock (as a percentage of the market price of the Series A Preferred Stock) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of the Series A Preferred Stock to expect a higher dividend yield (and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for dividend payments). Thus, higher market interest rates could cause the market price of the Series A Preferred Stock to materially decrease.

We may not be able to pay dividends on the Series A Preferred Stock.

Our ability to pay cash dividends on the Series A Preferred Stock will require us to have either net profits or positive net assets (total assets less total liabilities) over our capital, and to be able to pay our debts as they become due in the usual course of business. The foregoing limitation will apply even if there are remaining proceeds from this offering that have been set aside to pay Series A Preferred Stock dividends.

Further, notwithstanding these factors, we may not have sufficient cash to pay dividends on the Series A Preferred Stock. Our ability to pay dividends may be impaired if any of the risks described in this prospectus

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or documents incorporated by reference in this prospectus, were to occur. Also, payment of our dividends depends upon our financial condition and other factors as our board of directors may deem relevant from time to time. We cannot assure you that our businesses will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to make distributions on our common stock, if any, and preferred stock, including the Series A Preferred Stock to pay our indebtedness or to fund our other liquidity needs.

Holders of the Series A Preferred Stock may be unable to use the dividends-received deduction and may not be eligible for the preferential tax rates applicable to qualified dividend income .

Distributions paid to corporate U.S. holders of the Series A Preferred Stock may be eligible for the dividends-received deduction, and distributions paid to non-corporate U.S. holders of the Series A Preferred Stock may be subject to tax at the preferential tax rates applicable to qualified dividend income, if we have current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. We do not currently have accumulated earnings and profits. Additionally, we may not have sufficient current earnings and profits during future fiscal years for the distributions on the Series A Preferred Stock to qualify as dividends for U.S. federal income tax purposes. If the distributions fail to qualify as dividends, U.S. holders would be unable to use the dividends-received deduction and may not be eligible for the preferential tax rates applicable to qualified dividend income. If any distributions on the Series A Preferred Stock with respect to any fiscal year are not eligible for the dividends-received deduction or preferential tax rates applicable to qualified dividend income because of insufficient current or accumulated earnings and profits, it is possible that the market value of the Series A Preferred Stock might decline.

Our revenues, operating results and cash flows may fluctuate in future periods and we may fail to meet investor expectations, which may cause the price of our Series A Preferred Stock to decline.

Variations in our quarterly and year-end operating results are difficult to predict and our income and cash flow may fluctuate significantly from period to period, which may impact our board of directors willingness or legal ability to declare a monthly dividend. If our operating results fall below the expectations of investors or securities analysts, the price of our Series A Preferred Stock could decline substantially. Specific factors that may cause fluctuations in our operating results include:

- demand and pricing for our products and services;
- government or commercial healthcare reimbursement policies;
- physician and patient acceptance of any of our current or future products;
- introduction of competing products;
- our operating expenses which fluctuate due to growth of our business;
- timing and size of any new product or technology acquisitions we may complete; and
- variable sales cycle and implementation periods for our products and services.

Our Series A Preferred Stock has not been rated.

We have not sought to obtain a rating for the Series A Preferred Stock. No assurance can be given, however, that one or more rating agencies might not independently determine to issue such a rating or that such a rating, if issued, would not adversely affect the market price of the Series A Preferred Stock. Also, we may elect in the future to obtain a rating for the Series A Preferred Stock, which could adversely affect the market price of the Series A Preferred Stock. Ratings only reflect the views of the rating agency or agencies issuing the ratings and such ratings could be revised

downward, placed on a watch list or withdrawn entirely at the discretion of the issuing rating agency if in its judgment circumstances so warrant. Any such downward revision, placing on a watch list or withdrawal of a rating could have an adverse effect on the market price of the Series A Preferred Stock.

We may redeem the Series A Preferred Stock.

On or after November 4, 2020, we may, at our option, redeem the Series A Preferred Stock, in whole or in part, at any time or from time to time. Also, upon the occurrence of a Change of Control, we may, at

our option, redeem the Series A Preferred Stock, in whole or in part, within 120 days after the first date on which such Change of Control occurred. We may have an incentive to redeem the Series A Preferred Stock voluntarily if market conditions allow us to issue other preferred stock or debt securities at a rate that is lower than the dividend on the Series A Preferred Stock. If we redeem the Series A Preferred Stock, then from and after the redemption date, your dividends will cease to accrue on your shares of Series A Preferred Stock, your shares of Series A Preferred Stock shall no longer be deemed outstanding and all your rights as a holder of those shares will terminate, except the right to receive the redemption price plus accumulated and unpaid dividends, if any, payable upon redemption.

The market price of the Series A Preferred Stock could be substantially affected by various factors.

The market price of the Series A Preferred Stock depends on many factors, which may change from time to time, including:

- prevailing interest rates, increases in which may have an adverse effect on the market price of the Series A Preferred Stock;
- trading prices of similar securities;
- our history of timely dividend payments;
- the annual yield from dividends on the Series A Preferred Stock as compared to yields on other financial instruments;
- general economic and financial market conditions;
- government action or regulation;
- the financial condition, performance and prospects of us and our competitors;
- changes in financial estimates or recommendations by securities analysts with respect to us or our competitors in our industry;
- our issuance of additional preferred equity or debt securities; and
- actual or anticipated variations in quarterly operating results of us and our competitors.

As a result of these and other factors, investors who purchase the Series A Preferred Stock in this offering may experience a decrease, which could be substantial and rapid, in the market price of the Series A Preferred Stock, including decreases unrelated to our operating performance or prospects.

As a holder of Series A Preferred Stock, you will have extremely limited voting rights.

Your voting rights as a holder of Series A Preferred Stock will be limited. Our shares of common stock are the only class of our securities that carry full voting rights, and Mahmud Haq, our Chief Executive Officer, beneficially owns 43.5% of our outstanding shares of common stock. As a result, Mr. Haq exercises a significant level of control over all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation, and approval of significant corporate transactions. This control could have the effect of delaying or preventing a change of control of our company or changes in management, and will make the approval of certain transactions difficult or impossible without his support, which in turn could reduce the price of our Series A Preferred Stock.

Voting rights for holders of Series A Preferred Stock exist primarily with respect to the ability to elect, voting together with the holders of any other series of our preferred stock having similar voting rights, two additional directors to our board of directors, subject to limitations described in the section entitled Description of the Series A Preferred Stock Voting Rights, in the event that eighteen monthly dividends (whether or not consecutive) payable on the Series A Preferred Stock are in arrears, and with respect to voting on amendments to our articles of incorporation or articles

of amendment relating to the Series A Preferred Stock that materially and adversely affect the rights of the holders of Series A Preferred Stock or authorize, increase or create additional classes or series of our capital stock that are senior to the Series A Preferred Stock. Other than the limited circumstances described in this prospectus and except to the extent required by

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law, holders of Series A Preferred Stock do not have any voting rights. Please see the section entitled Description of the Series A Preferred Stock Voting Rights.

If our common stock is delisted, your ability to transfer or sell your shares of the Series A Preferred Stock may be limited and the market value of the Series A Preferred Stock will likely be materially adversely affected.

The Series A Preferred Stock does not contain provisions that are intended to protect you if our common stock is delisted from the Nasdaq Capital Market. Since the Series A Preferred Stock has no stated maturity date, you may be forced to hold your shares of the Series A Preferred Stock and receive stated dividends on the Series A Preferred Stock when, as and if authorized by our board of directors and paid by us with no assurance as to ever receiving the liquidation value thereof. Also, if our common stock is delisted from the Nasdaq Capital Market, it is likely that the Series A Preferred Stock will be delisted from the Nasdaq Capital Market as well. Accordingly, if our common stock is delisted from the Nasdaq Capital Market, your ability to transfer or sell your shares of the Series A Preferred Stock may be limited and the market value of the Series A Preferred Stock will likely be materially adversely affected.

We will have broad discretion in using the proceeds of this offering, and we may not effectively spend the proceeds.

We intend to use a portion of the net proceeds of this offering to fund acquisitions and initiatives to drive additional growth. We will use the balance for working capital and general corporate purposes, which may include, developing new products and services, and funding capital expenditures and investments. We will have significant flexibility and broad discretion in applying the net proceeds of this offering, and we may not apply these proceeds effectively. Our management might not be able to yield a significant return, if any, on any investment of these net proceeds, and you will not have the opportunity to influence our decisions on how to use our net proceeds from this offering.

The Series A Preferred Stock is not convertible, and investors will not realize a corresponding upside if the price of the common stock increases.

The Series A Preferred Stock is not convertible into the common stock and earns dividends at a fixed rate. Accordingly, an increase in market price of our common stock will not necessarily result in an increase in the market price of our Series A Preferred Stock. The market value of the Series A Preferred Stock may depend more on dividend and interest rates for other preferred stock, commercial paper and other investment alternatives and our actual and perceived ability to pay dividends on, and in the event of dissolution satisfy the liquidation preference with respect to, the Series A Preferred Stock.

Provisions of Delaware law, of our amended and restated charter and amended and restated bylaws may make a takeover more difficult, which could cause our stock price to decline.

Provisions in our amended and restated certificate of incorporation and amended and restated bylaws and in the Delaware corporate law may make it difficult and expensive for a third party to pursue a tender offer, change in control or takeover attempt, which is opposed by management and the board of directors. Public stockholders who might desire to participate in such a transaction may not have an opportunity to do so. We have a staggered board of directors that makes it difficult for stockholders to change the composition of the board of directors in any one year.

Further, our amended and restated certificate of incorporation provides for the removal of a director only for cause upon the affirmative vote of the holders of at least 50.1% of the outstanding shares entitled to cast their vote for the election of directors, which may discourage a third party from making a tender offer or otherwise attempting to obtain control of us. These and other anti-takeover provisions could substantially impede the ability of public stockholders to change our management and board of directors. Such provisions may also limit the price that investors might be willing to pay for shares of our Series A Preferred Stock in the future.

Complying with the laws and regulations affecting public companies will increase our costs and the demands on management and could harm our operating results.

As a public company and particularly after we cease to be an emerging growth company, we continue to incur significant legal, accounting, and other expenses. In addition, the Sarbanes-Oxley Act and rules

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subsequently implemented by the SEC and the NASDAQ Stock Market impose various requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased and will continue to increase our legal, accounting, and financial compliance costs and have made and will continue to make some activities more time-consuming and costly. For example, these rules and regulations make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or to incur substantial costs to maintain the same or similar coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or our board committees or as executive officers.

In addition, the Sarbanes-Oxley Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting annually and the effectiveness of our disclosure controls and procedures quarterly. In particular, beginning with the current year ending December 31, 2015, we will need to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on, and our independent registered public accounting firm potentially to attest to, the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, or Section 404. As an emerging growth company we will elect to avail ourselves of the exemption from the requirement that our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act. However, we may no longer avail ourselves of this exemption when we cease to be an emerging growth company and, when our independent registered public accounting firm is required to undertake an assessment of our internal control over financial reporting, the cost of our compliance with Section 404 will correspondingly increase. Our compliance with applicable provisions of Section 404 will require that we incur substantial accounting expense and expend significant management time on compliance-related issues as we implement additional corporate governance practices and comply with reporting requirements. Moreover, if we are not able to comply with the requirements of Section 404 applicable to us in a timely manner, or if we or our independent registered public accounting firm identifies additional deficiencies in our internal control over financial reporting that are deemed to be additional material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

Furthermore, investor perceptions of our Company may suffer if further deficiencies are found, and this could cause a decline in the market price of our common and preferred stock. Irrespective of compliance with Section 404, any failure of our internal control over financial reporting could have a material adverse effect on our stated operating results and harm our reputation. If we are unable to implement these changes effectively or efficiently, it could harm our operations, financial reporting, or financial results and could result in an adverse opinion on internal control from our independent registered public accounting firm.

The JOBS Act allows us to postpone the date by which we must comply with certain laws and regulations and to reduce the amount of information provided in reports filed with the SEC. We cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Series A Preferred Stock less attractive to investors.

We are and we will remain an emerging growth company until the earliest to occur of (i) the last day of the fiscal year during which our total annual revenues equal or exceed $1 billion (subject to adjustment for inflation), (ii) the last day of the fiscal year following the fifth anniversary of our IPO (iii) the date on which we have, during the previous

three-year period, issued more than $1 billion in non-convertible debt, or (iv) the date on which we are deemed a large accelerated filer under the Securities and Exchange Act of 1934, as amended, or the Exchange Act. For so long as we remain an emerging growth company as defined in the JOBS Act, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

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Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption and, will therefore be subject to the same new or revised accounting standards at the same time as other public companies that are not emerging growth companies.

We cannot predict if investors will find our Series A Preferred Stock less attractive because we rely on some of the exemptions available to us under the JOBS Act. If some investors find our Series A Preferred Stock less attractive as a result, there may be a less active trading market for our Series A Preferred Stock and our stock price may be more volatile. If we avail ourselves of certain exemptions from various reporting requirements, our reduced disclosure may make it more difficult for investors and securities analysts to evaluate us and may result in less investor confidence.

Risks Related to Our Acquisition Strategy

If we do not manage our growth effectively, our revenue, business and operating results may be harmed.

Our strategy is to expand through the acquisition of additional RCM companies and organic growth. Since 2006, we have acquired eleven RCM companies and entered into agreements with four additional RCM companies under which we service all of their customers. Our future acquisitions may require greater than anticipated investment of operational and financial resources as we seek to migrate customers of these companies to PracticePro. Acquisitions may also require the integration of different software and services, assimilation of new employees, diversion of management and IT resources, increases in administrative costs and other additional costs associated with any debt or equity financings undertaken in connection with such acquisitions. We cannot assure you that any acquisition we undertake will be successful. Future growth will also place additional demands on our customer support, sales, and marketing resources, and may require us to hire and train additional employees. We will need to expand and upgrade our systems and infrastructure to accommodate our growth. The failure to manage our growth effectively will materially and adversely affect our business.

In prior acquisitions, we have encountered difficulties in retaining all the customers we acquired, which has resulted in a decrease in our revenues and operating results. Similarly, we may be unable to retain customers of the Acquired Businesses following their acquisition, which may likewise result in a decrease in our revenues and operating results.

Customers of the businesses we acquire usually have the right to terminate their practice management, EHR and RCM contracts for any reason at any time upon notice of 90 days or less. These customers may elect to terminate their contracts as a result of our acquisition or choose not to renew their contracts upon expiration. In the past, our failure to retain acquired customers has resulted in decreases in our revenues. The customers of the five businesses we acquired in 2012 and 2013 generated a total of approximately $1.3 million of revenue per quarter at the time of their acquisition. On average, this amount decreased by 22% one year after each acquisition occurred. The three Acquired Businesses generated a total of approximately $5.1 million of revenue per quarter before their acquisition. This amount decreased by 32% in the quarter ended June 30, 2015. For CastleRock, in part due to prohibited competitive activities of a selling stockholder which we later resolved through a mutually satisfactory settlement, this decrease was 61%, and the revenue of other two Acquired Businesses decreased by 23%.

As a result, we estimate that our revenue in the three months ended September 30, 2015 declined by approximately $400,000 or 7% from our revenue of $6.0 million for the three months ended September 30, 2014. The decline in revenue from CastleRock was approximately $600,000. The revenue increase from new business and subsequent acquisitions exceeded the revenue decline from the other Acquired Businesses and MTBC s core business.

A year or more after an acquisition, client retention is typically related more to our customer service than to the means of acquisition. Our renewal rate for 2014 and 2013 was 85% each year. Our inability to retain customers of the businesses we acquire could adversely impact our ability to benefit from those acquisitions and increase our future revenues and operating income.

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We may be unable to negotiate favorable prices for the RCM companies we acquire.

Our purchase prices for the Acquired Businesses took into account the uncertainty and time required for the closing of our public offering. In the future, our acquisition strategy and the consideration we pay for potential targets will be influenced by many factors, including the market demand for our securities and the condition of the healthcare industry in general. There can be no assurance that we will be able to negotiate and acquire medical billing companies on such favorable financial terms as those ultimately accepted by the Acquired Businesses, or that we will not be required to pay a premium for a desired acquisition opportunity.

We may be unable to implement our strategy of acquiring additional RCM companies due to competition.

We have no understanding or commitments with respect to any other acquisition as of the date of this prospectus. Although we expect that one or more acquisition opportunities will become available in the future, we may not be able to acquire any additional RCM companies at all or on terms favorable to us. Certain of our larger, better capitalized competitors may seek to acquire some of the RCM companies we may be interested in. Competition for acquisitions would likely increase acquisition prices and result in us having fewer acquisition opportunities.

Acquisitions may subject us to additional unknown risks which may affect our customer retention and cause a reduction in our revenues.

In completing any future acquisitions, we will rely upon the representations and warranties and indemnities made by the sellers with respect to each acquisition as well as our own due diligence investigation. We cannot assure you that such representations and warranties will be true and correct or that our due diligence will uncover all materially adverse facts relating to the operations and financial condition of the acquired companies or their customers. To the extent that we are required to pay for obligations of an acquired company, or if material misrepresentations exist, we may not realize the expected benefit from such acquisition and we will have overpaid in cash and/or stock for the value received in that acquisition.

Future acquisitions may result in potentially dilutive issuances of equity securities, the incurrence of indebtedness and increased amortization expense.

Future acquisitions may result in dilutive issuances of equity securities, the incurrence of debt, the assumption of known and unknown liabilities, the write-off of software development costs and the amortization of expenses related to intangible assets, all of which could have an adverse effect on our business, financial condition and results of operations.

We structure our acquisitions as asset purchases, which may limit the ability of some of the acquired assets to be transferred to us due to contractual provisions restricting the assignment of assets, and subjects us to the risk that creditors of the seller may seek payment from us of liabilities retained by the sellers or challenge these transactions.

Our acquisitions are typically structured as the purchase of assets, primarily consisting of medical billing contracts with healthcare providers. This structure may limit the transferability of some of the acquired assets, including contracts that have contractual provisions limiting their assignment. In our prior acquisitions, substantially all of the medical billing contracts we acquired did not have restrictions on their assignment to us. However, other medical billing contracts we may seek to acquire in the future may be subject to these restrictions. Furthermore, certain software and vendor contracts which we may seek to acquire for use during the transition period following our acquisitions may not be assignable to us, which may disrupt the operations of the acquired customers. Moreover, even those that are assignable may be terminable by either party upon little or no notice.

Furthermore, creditors of a seller from whom we acquire assets could challenge the acquisition as a fraudulent transfer under the U.S. Bankruptcy Code and comparable provisions of state fraudulent transfer laws. In general, a transfer of assets can be found to be fraudulent and avoided if a court determines that the transferor, at the time of the asset transfer (i) delivered such assets with the intent to hinder, delay or defraud its existing or future creditors or (ii) received less than reasonably equivalent value and the transferor was insolvent at the time of the transfer or was rendered insolvent as a result of the transfer. If a court determines

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that any of our acquisitions constitutes a fraudulent transfer, the court could order us to return to the transferor or its creditors the acquired assets, their value, or payments received by us on account of such assets.

Risks Related to Our Business

We operate in a highly competitive industry, and our competitors may be able to compete more efficiently or evolve more rapidly than we do, which could have a material adverse effect on our business, revenue, growth rates and market share.

The market for practice management, EHR and RCM information solutions and related services is highly competitive, and we expect competition to increase in the future. We face competition from other providers of both integrated and stand-alone practice management, EHR and RCM solutions, including competitors who utilize a web-based platform and providers of locally installed software systems. Our competitors include larger healthcare IT companies, such as athenahealth, Inc., eClinicalWorks, Allscripts Healthcare Solutions, Inc. and Greenway Medical Technologies, Inc., all of which may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, regulations or customer needs and requirements. Many of our competitors have longer operating histories, greater brand recognition and greater financial, marketing and other resources than us. We also compete with various regional RCM companies, some of which may continue to consolidate and expand into broader markets. We expect that competition will continue to increase as a result of incentives provided by the HITECH Act, and consolidation in both the information technology and healthcare industries. Competitors may introduce products or services that render our products or services obsolete or less marketable. Even if our products and services are more effective than the offerings of our competitors, current or potential customers might prefer competitive products or services to our products and services. In addition, our competitive edge could be diminished or completely lost if our competition develops similar offshore operations in Pakistan or other countries, such as India and the Philippines, where labor costs are lower than those in the U.S. (although higher than in Pakistan). Pricing pressures could negatively impact our margins, growth rate and market share.

If we are unable to successfully introduce new products or services or fail to keep pace with advances in technology, we would not be able to maintain our customers or grow our business which will have a material adverse effect on our business.

Our business depends on our ability to adapt to evolving technologies and industry standards and introduce new products and services accordingly. If we cannot adapt to changing technologies and industry standards and meet the requirements of our customers, our products and services may become obsolete, and our business would suffer. Because both the healthcare industry and the healthcare IT technology market are constantly evolving, our success will depend, in part, on our ability to continue to enhance our existing products and services, develop new technology that addresses the increasingly sophisticated and varied needs of our customers, respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis, educate our customers to adopt these new technologies, and successfully assist them in transitioning to our new products and services. The development of our proprietary technology entails significant technical and business risks. We may not be successful in developing, using, marketing, selling, or maintaining new technologies effectively or adapting our proprietary technology to evolving customer requirements or emerging industry standards, and, as a result, our business and reputation could suffer. We may not be able to introduce new products or services on schedule, or at all, or such

products or services may not achieve market acceptance. A failure by us to introduce new products or to introduce these products on schedule could cause us to not only lose our current customers but to fail to grow our business by attracting new customers.

The continued success of our business model is heavily dependent upon our operations in Pakistan, and any disruption to those operations will adversely affect us.

The majority of our operations, including the development and maintenance of our Web-based platform, our customer support services and a substantial portion of our sales and marketing efforts, are performed by our highly educated workforce of approximately 1,800 employees in Pakistan, which has experienced, and continues to experience, political and social unrest and acts of terrorism. Conditions in Pakistan may further deteriorate following the planned withdrawal of U.S. armed forces from neighboring Afghanistan. The

performance of our operations in Pakistan, and our ability to maintain our offshore offices, is an essential element of our business model, as the labor costs in Pakistan are substantially lower than the cost of comparable labor in India, the United States and other countries, and allows us to competitively price our products and services. Our competitive advantage will be greatly diminished and may disappear altogether if our operations in Pakistan are negatively impacted. Our operations in Pakistan may be negatively impacted by any number of factors, including political unrest; social unrest; terrorism; war; failure of the Pakistani power grid, which is subject to frequent outages; vandalism; currency fluctuations; changes to the law of Pakistan, the United States or any of the states in which we do business; or increases in the cost of labor and supplies in Pakistan. Our operations in Pakistan may also be affected by trade restrictions, such as tariffs or other trade controls. If we are unable to continue to leverage the skills and experience of our highly educated workforce in Pakistan, we may be unable to provide our products and services at attractive prices, and our business would be materially and negatively impacted or discontinued.

Our offshore operations expose us to additional business and financial risks which could subject us to civil and criminal liability.

The risks and challenges associated with our operations outside the United States include laws and business practices favoring local competitors; compliance with multiple, conflicting and changing governmental laws and regulations, including employment and tax laws and regulations; and fluctuations in foreign currency exchange rates. Foreign operations subject us to numerous stringent U.S. and foreign laws, including the Foreign Corrupt Practices Act, or FCPA, and comparable foreign laws and regulations that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. and other business entities for the purpose of obtaining or retaining business. Safeguards we implement to discourage these practices may prove to be less than effective and violations of the FCPA and other laws may result in severe criminal or civil sanctions, or other liabilities or proceedings against us, including class action lawsuits and enforcement actions from the SEC, Department of Justice and overseas regulators.

Government programs in the United States initiated to accelerate the adoption and utilization of EHR solutions may not be effective in changing the behavior of providers or may not be fully implemented or fully funded by the government, which could cause a lack of demand for our products and services.

While government programs have been initiated to improve the efficiency and quality of the healthcare sector, these programs may not be fully implemented or fully funded and there is no guarantee that our customers will receive any of these funds. Providers may also be slow to adopt EHR solutions in response to these government programs, may not select our products and services, or may decide not to implement an EHR system at all. Adoption of EHR technology imposes increased costs on providers and requires providers to spend time becoming familiar with its use. Any delay in the purchase of our EHR solutions and services in response to government programs, or the failure of providers to purchase an EHR solution, could have an adverse effect on our ability to grow our business. It is also possible that Congress could repeal or not fund the HITECH Act as originally planned or otherwise amend it in a manner that would have an adverse effect on our business.

Changes in the healthcare industry could affect the demand for our services and may result in a decrease in our revenues and market share.

As the healthcare industry evolves, changes in our customer base may reduce the demand for our services, result in the termination of existing contracts, and make it more difficult to negotiate new contracts on terms that are acceptable to us. For example, the current trend toward consolidation of healthcare providers may cause our existing customer contracts to terminate as independent practices are merged into hospital systems or other healthcare organizations. Such larger healthcare organizations may have their own practice management, EHR and RCM solutions, reducing demand for our services. If this trend continues, we cannot assure you that we will be able to continue to maintain or expand our customer base, negotiate contracts with acceptable terms, or maintain our current pricing structure, which would result in a decrease in our revenues and market share.

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If providers do not purchase our products and services or delay in choosing our products or services, we may not be able to grow our business.

Our business model depends on our ability to sell our products and services. Acceptance of our products and services may require providers to adopt different behavior patterns and new methods of conducting business and exchanging information. Providers may not integrate our products and services into their workflow and may not accept our solutions and services as a replacement for traditional methods of practicing medicine. Providers may also choose to buy our competitors products and services instead of ours. Achieving market acceptance for our solutions and services will continue to require substantial sales and marketing efforts and the expenditure of significant financial and other resources to create awareness and demand by providers. If providers fail to broadly accept our products and services, our business, financial condition and results of operations will be adversely affected.

If the revenues of our customers decrease, or if our customers cancel or elect not to renew their contracts, our revenue will decrease.

Under most of our customer contracts, we base our charges on a percentage of the revenue that our customer collects through the use of our services. Many factors may lead to decreases in customer revenue, including:

- reduction of customer revenue resulting from increased competition or other changes in the marketplace for physician services;
- failure of our customers to adopt or maintain effective business practices;
- actions by third-party payers of medical claims to reduce reimbursement;
- government regulations and government or other payer actions or inaction reducing or delaying reimbursement;
- interruption of customer access to our system; and
- our failure to provide services in a timely or high-quality manner.

The current economic situation may give rise to several of these factors. For example, patients who have lost health insurance coverage due to unemployment or who face increased deductibles imposed by financially struggling employers or insurers could reduce the number of visits those patients make to our customers. Patients without health insurance or with reduced coverage may also default on their payment obligations at a higher rate than patients with coverage. Added financial stress on our customers could lead to their acquisition or bankruptcy, which could cause the termination of some of our service relationships. With a reduction in tax revenue, state and federal government healthcare programs, including reimbursement programs such as Medicaid, may be reduced or eliminated, which could negatively impact the payments that our customers receive. If our customers revenues decrease for any of the above or other reasons, or if our customers cancel or elect not to renew their contracts with us, our revenue will decrease.

We have incurred recent operating losses and net losses, and we may not be able to achieve or subsequently maintain profitability in the future.

Although we generated net income of $117,000 for the year ended December 31, 2012, we generated net losses of $178,000 and $4.5 million for the years ended December 31, 2013 and December 31, 2014, respectively, and $2.7 million for the six months ended June 30, 2015. Our net losses for the year ended December 31, 2014 and the six months ended June 30, 2015 include $2.5 million and $2.1 million of amortization expense of purchased intangible assets, respectively.

We may not succeed in achieving the efficiencies we anticipated from the Acquired Businesses and from future acquisitions, including moving sufficient labor to our offshore subsidiary to offset increased costs resulting from these acquisitions, which includes approximately $3.7 million in annual amortization expense associated with approximately $11 million of intangible assets from acquisitions, and we may continue to incur losses in future periods. Furthermore, because we acquired three Acquired Businesses with nine separate offices simultaneously, we expect that the pace of cost reductions will be slower as compared to cost

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reductions we effected in the past. We expect to incur operating expenses associated with our recent status as a public company and we intend to continue to increase our operating expenses as we grow our business. We also expect to continue to make investments in our proprietary technology, sales and marketing, infrastructure, facilities and other resources as we seek to grow, thereby incurring additional costs. If we are unable to generate adequate revenue growth and manage our expenses, we may continue to incur losses in the future and may not be able to achieve or maintain profitability.

As a result of our variable sales and implementation cycles, we may be unable to recognize revenue from prospective customers on a timely basis and we may not be able to offset expenditures.

The sales cycle for our services can be variable, typically ranging from two to four months from initial contact with a potential customer to contract execution, although this period can be substantially longer. During the sales cycle, we expend time and resources in an attempt to obtain a customer without recognizing revenue from that customer to offset such expenditures. Our implementation cycle is also variable, typically ranging from two to four months from contract execution to completion of implementation. Each customer s situation is different, and unanticipated difficulties and delays may arise as a result of a failure by us or by the customer to meet our respective implementation responsibilities. During the implementation cycle, we expend substantial time, effort, and financial resources implementing our services without recognizing revenue. Even following implementation, there can be no assurance that we will recognize revenue on a timely basis or at all from our efforts. In addition, cancellation of any implementation after it has begun may involve loss to us of time, effort, and expenses invested in the canceled implementation process, and lost opportunity for implementing paying customers in that same period of time.

If we are unable to complete this offering in a timely manner, we may need additional capital to continue as a going concern, and we will need additional capital to grow our business. Even if we do complete this offering in a timely manner, we may still need additional capital to support our operations and the growth of our business. We cannot be certain that this additional capital will be available on reasonable terms when required, or at all.

Our ability to continue as a going concern is dependent on our ability to generate sufficient cash from operations to meet our cash needs and to raise funds to finance ongoing operations and repay debt. We have a $2.0 million line of credit from Opus Bank, which was fully drawn as of September 30, 2015.

If we are required to collect sales and use taxes on the products and services we sell in certain jurisdictions, we may be subject to liability for past sales and incur additional related costs and expenses, and our future sales may decrease.

We may lose sales or incur significant expenses should states be successful in imposing state sales and use taxes on our products and services. A successful assertion by one or more states that we should collect sales or other taxes on the sale of our products and services that we are currently not collecting could result in substantial tax liabilities for past sales, decrease our ability to compete with healthcare IT vendors subject to sales and use taxes, and otherwise harm our business. Each state has different rules and regulations governing sales and use taxes, and these rules and

regulations are subject to varying interpretations that may change over time. We review these rules and regulations periodically and, when we believe that our products or services are subject to sales and use taxes in a particular state, we voluntarily approach state tax authorities in order to determine how to comply with their rules and regulations. We cannot assure you that we will not be subject to sales and use taxes or related penalties for past sales in states where we believe no compliance is necessary.

Vendors of products and services like us are typically held responsible by taxing authorities for the collection and payment of any applicable sales and similar taxes. If one or more taxing authorities determines that taxes should have, but have not, been paid with respect to our products or services, we may be liable for past taxes in addition to taxes going forward. Liability for past taxes may also include very substantial interest and penalty charges. Nevertheless, customers may be reluctant to pay back taxes and may refuse responsibility for interest or penalties associated with those taxes. If we are required to collect and pay back taxes and the associated interest and penalties, and if our customers fail or refuse to reimburse us for all or a portion of these amounts, we will have incurred unplanned expenses that may be substantial. Moreover, imposition of such taxes on our products and services going forward will effectively increase the cost of those products and

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services to our customers and may adversely affect our ability to retain existing customers or to gain new customers in the states in which such taxes are imposed.

We may also become subject to tax audits or similar procedures in states where we already pay sales and use taxes. The incurrence of additional accounting and legal costs and related expenses in connection with, and the assessment of, taxes, interest, and penalties as a result of audits, litigation, or otherwise could be materially adverse to our current and future results of operations and financial condition.

If we lose the services of Mahmud Haq or other members of our management team, or if we are unable to attract, hire, integrate and retain other necessary employees, our business would be harmed.

Our future success depends in part on our ability to attract, hire, integrate and retain the members of our management team and other qualified personnel. In particular, we are dependent on the services of Mahmud Haq, our founder, principal stockholder and Chief Executive Officer, who among other things, is instrumental in managing our offshore operations in Pakistan and coordinating those operations with our U.S. activities. The loss of Mr. Haq, who would be particularly difficult to replace, could negatively impact our ability to effectively manage our cost-effective workforce in Pakistan, which enables us to provide our products and solutions at attractive prices. Our future success also depends on the continued contributions of our other executive officers and certain key employees, each of whom may be difficult to replace, and upon our ability to attract and retain additional management personnel. Competition for such personnel is intense, and we compete for qualified personnel with other employers. We may face difficulty identifying and hiring qualified personnel at compensation levels consistent with our existing compensation and salary structure. If we fail to retain our employees, we could incur significant expenses in hiring, integrating and training their replacements, and the quality of our services and our ability to serve our customers could diminish, resulting in a material adverse effect on our business.

We may be unable to adequately establish, protect or enforce our intellectual property rights.

Our success depends in part upon our ability to establish, protect and enforce our intellectual property and other proprietary rights. If we fail to establish, protect or enforce our intellectual property rights, we may lose an important advantage in the market in which we compete. We rely on a combination of trademark, copyright and trade secret law and contractual obligations to protect our key intellectual property rights, all of which provide only limited protection. Our intellectual property rights may not be sufficient to help us maintain our position in the market and our competitive advantages.

We have no patents pending and none issued, and primarily rely on trade secrets to protect our proprietary technology. Trade secrets may not be protectable if not properly kept confidential. We strive to enter into non-disclosure agreements with our employees, customers, contractors and business partners to limit access to and disclosure of our proprietary information. However, the steps we have taken may not be sufficient to prevent unauthorized use of our technology, and adequate remedies may not be available in the event of unauthorized use or disclosure of our trade secrets and proprietary technology. Moreover, others may reverse engineer or independently develop technologies that are competitive to ours or infringe our intellectual property.

Accordingly, despite our efforts, we may be unable to prevent third-parties from using our intellectual property for their competitive advantage. Any such use could have a material adverse effect on our business, results of operations

and financial condition. Monitoring unauthorized uses of and enforcing our intellectual property rights can be difficult and costly. Legal intellectual property actions are inherently uncertain and may not be successful, and may require a substantial amount of resources and divert our management s attention.

Claims by others that we infringe their intellectual property could force us to incur significant costs or revise the way we conduct our business.

Our competitors protect their proprietary rights by means of patents, trade secrets, copyrights, trademarks and other intellectual property. We have not conducted an independent review of patents and other intellectual property issued to third-parties, who may have patents or patent applications relating to our proprietary technology. We may receive letters from third parties alleging, or inquiring about, possible infringement, misappropriation or violation of their intellectual property rights. Any party asserting that we infringe,

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misappropriate or violate proprietary rights may force us to defend ourselves, and potentially our customers, against the alleged claim. These claims and any resulting lawsuit, if successful, could subject us to significant liability for damages and/or invalidation of our proprietary rights or interruption or cessation of our operations. Any such claims or lawsuit could:

- be time-consuming and expensive to defend, whether meritorious or not;
- require us to stop providing products or services that use the technology that allegedly infringes the other party s intellectual property;
- divert the attention of our technical and managerial resources;
- require us to enter into royalty or licensing agreements with third-parties, which may not be available on terms that we deem acceptable;
- prevent us from operating all or a portion of our business or force us to redesign our products, services or technology platforms, which could be difficult and expensive and may make the performance or value of our product or service offerings less attractive;
- subject us to significant liability for damages or result in significant settlement payments; or
- require us to indemnify our customers.

Furthermore, during the course of litigation, confidential information may be disclosed in the form of documents or testimony in connection with discovery requests, depositions or trial testimony. Disclosure of our confidential information and our involvement in intellectual property litigation could materially adversely affect our business. Some of our competitors may be able to sustain the costs of intellectual property litigation more effectively than we can because they have substantially greater resources. In addition, any litigation could significantly harm our relationships with current and prospective customers. Any of the foregoing could disrupt our business and have a material adverse effect on our business, operating results and financial condition.

Current and future litigation against us could be costly and time-consuming to defend and could result in additional liabilities.

We may from time to time be subject to legal proceedings and claims that arise in the ordinary course of business, such as claims brought by our clients in connection with commercial disputes and employment claims made by our current or former employees. Claims may also be asserted by or on behalf of a variety of other parties, including government agencies, patients of our physician clients, or stockholders. Any litigation involving us may result in substantial costs and may divert management s attention and resources, which may seriously harm our business, overall financial condition, and operating results. Insurance may not cover existing or future claims, be sufficient to fully compensate us for one or more of such claims, or continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, thereby reducing our operating results and leading analysts or potential investors to reduce their expectations of our performance resulting in a reduction in the trading price of our stock.

Our proprietary software or service delivery may not operate properly, which could damage our reputation, give rise to claims against us, or divert application of our resources from other purposes, any of which could harm our business and operating results.

We may encounter human or technical obstacles that prevent our proprietary applications from operating properly. If our applications do not function reliably or fail to achieve customer expectations in terms of performance, customers could assert liability claims against us or attempt to cancel their contracts with us. This could damage our reputation

and impair our ability to attract or maintain customers. We provide a limited warranty, have not paid warranty claims in the past, and do not have a reserve for warranty claims.

Moreover, information services as complex as those we offer have in the past contained, and may in the future develop or contain, undetected defects or errors. We cannot assure you that material performance problems or defects in our products or services will not arise in the future. Errors may result from receipt, entry, or interpretation of patient information or from interface of our services with legacy systems and data

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that we did not develop and the function of which is outside of our control. Despite testing, defects or errors may arise in our existing or new software or service processes. Because changes in payer requirements and practices are frequent and sometimes difficult to determine except through trial and error, we are continuously discovering defects and errors in our software and service processes compared against these requirements and practices. These defects and errors and any failure by us to identify and address them could result in loss of revenue or market share, liability to customers or others, failure to achieve market acceptance or expansion, diversion of development resources, injury to our reputation, and increased service and maintenance costs. Defects or errors in our software might discourage existing or potential customers from purchasing our products and services. Correction of defects or errors could prove to be impossible or impracticable. The costs incurred in correcting any defects or errors or in responding to resulting claims or liability may be substantial and could adversely affect our operating results.

In addition, customers relying on our services to collect, manage, and report clinical, business, and administrative data may have a greater sensitivity to service errors and security vulnerabilities than customers of software products in general. We market and sell services that, among other things, provide information to assist healthcare providers in tracking and treating patients. Any operational delay in or failure of our technology or service processes may result in the disruption of patient care and could cause harm to patients and thereby create unforeseen liabilities for our business.

Our customers or their patients may assert claims against us alleging that they suffered damages due to a defect, error, or other failure of our software or service processes. A product liability claim or errors or omissions claim could subject us to significant legal defense costs and adverse publicity, regardless of the merits or eventual outcome of such a claim.

If our security measures are breached or fail and unauthorized access is obtained to a customer s data, our service may be perceived as insecure, the attractiveness of our services to current or potential customers may be reduced, and we may incur significant liabilities.

Our services involve the web-based storage and transmission of customers proprietary information and patient information, including health, financial, payment and other personal or confidential information. We rely on proprietary and commercially available systems, software, tools and monitoring, as well as other processes, to provide security for processing, transmission and storage of such information. Because of the sensitivity of this information and due to requirements under applicable laws and regulations, the effectiveness of our security efforts is very important. We maintain servers, which store customers data, including patient health records, in the U.S. and Pakistan. We also process, transmit and store some data of our customers on servers and networks that are owned and controlled by third-party contractors in India and elsewhere. If our security measures are breached or fail as a result of third-party action, acts of terror, social unrest, employee error, malfeasance or for any other reasons, someone may be able to obtain unauthorized access to customer or patient data. Improper activities by third-parties, advances in computer and software capabilities and encryption technology, new tools and discoveries and other events or developments may facilitate or result in a compromise or breach of our security systems. Our security measures may not be effective in preventing unauthorized access to the customer and patient data stored on our servers. If a breach of our security occurs, we could face damages for contract breach, penalties for violation of applicable laws or regulations, possible lawsuits by individuals affected by the breach and significant remediation costs and efforts to prevent future occurrences. In addition, whether there is an actual or a perceived breach of our security, the market perception of the effectiveness of our security measures could be harmed and we could lose current or potential customers.

Our products and services are required to meet the interoperability standards, which could require us to incur substantial additional development costs or result in a decrease in sales.

Our customers and the industry leaders enacting regulatory requirements are concerned with and often require that our products and services be interoperable with other third-party healthcare information technology suppliers. Market forces or regulatory authorities could create software interoperability standards that would apply to our solutions, and if our products and services are not consistent with those standards, we could be forced to incur substantial additional development costs. There currently exists a comprehensive set of criteria for the functionality, interoperability and security of various software modules in the healthcare

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information technology industry. However, those standards are subject to continuous modification and refinement. Achieving and maintaining compliance with industry interoperability standards and related requirements could result in larger than expected software development expenses and administrative expenses in order to conform to these requirements. These standards and specifications, once finalized, will be subject to interpretation by the entities designated to certify such technology. We will incur increased development costs in delivering solutions if we need to change or enhance our products and services to be in compliance with these varying and evolving standards. If our products and services are not consistent with these evolving standards, our market position and sales could be impaired and we may have to invest significantly in changes to our solutions.

We rely on Internet search engines to drive traffic to our website, and if we fail to appear high up in the search results, our traffic would decline and our business would be adversely affected.

We depend in part on Internet search engines, such as Google, Bing, and Yahoo! to drive traffic from potential customers to our website. Although we employ search engine optimization techniques in an effort to increase traffic to our website, our ability to maintain high search result rankings is not entirely within our control. Our competitors search engine optimization efforts may result in their websites receiving a higher search result page ranking than ours, or Internet search engines could revise their methodologies in a way that would adversely affect our search result rankings. If Internet search engines modify their search algorithms in ways that are detrimental to us, or if our competitors search engine optimization efforts are more successful than ours, growth in our customer base could slow. Our website has experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. Any reduction in the number of potential customers directed to our website through search engines could harm our ability to grow our business and increase profitability.

Disruptions in Internet or telecommunication service or damage to our data centers could adversely affect our business by reducing our customers confidence in the reliability of our services and products.

Our information technologies and systems are vulnerable to damage or interruption from various causes, including acts of God and other natural disasters, war and acts of terrorism and power losses, computer systems failures, internet and telecommunications or data network failures, operator error, losses of and corruption of data and similar events. Our customers data, including patient health records, reside on our own servers located in the U.S., Poland and Pakistan. Although we conduct business continuity planning to protect against fires, floods, other natural disasters and general business interruptions to mitigate the adverse effects of a disruption, relocation or change in operating environment at our data centers, the situations we plan for and the amount of insurance coverage we maintain may not be adequate in any particular case. In addition, the occurrence of any of these events could result in interruptions, delays or cessations in service to our customers. Any of these events could impair or prohibit our ability to provide our services, reduce the attractiveness of our services to current or potential customers and adversely impact our financial condition and results of operations.

In addition, despite the implementation of security measures, our infrastructure, data centers, or systems that we interface with or utilize, including the internet and related systems, may be vulnerable to physical break-ins, hackers, improper employee or contractor access, computer viruses, programming errors, denial-of-service attacks or other attacks by third-parties seeking to disrupt operations or misappropriate information or similar physical or electronic breaches of security. Any of these can cause system failure, including network, software or hardware failure, which can result in service disruptions. As a result, we may be required to expend significant capital and other resources to

protect against security breaches and hackers or to alleviate problems caused by such breaches.

We may be subject to liability for the content we provide to our customers and their patients.

We provide content for use by healthcare providers in treating patients. This content includes, among other things, patient education materials, coding and drug databases developed by third-parties, and prepopulated templates providers can use to document visits and record patient health information. If content in the third-party databases we use is incorrect or incomplete, adverse consequences, including death, may occur and give rise to product liability and other claims against us. A court or government agency may take

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the position that our delivery of health information directly, including through licensed practitioners, or delivery of information by a third-party site that a consumer accesses through our solutions, exposes us to personal injury liability, or other liability for wrongful delivery or handling of healthcare services or erroneous health information. Our liability insurance coverage may not be adequate or continue to be available on acceptable terms, if at all. A claim brought against us that is uninsured or under-insured could harm our business. Even unsuccessful claims could result in substantial costs and diversion of management resources.

We are subject to the effect of payer and provider conduct that we cannot control and that could damage our reputation with customers and result in liability claims that increase our expenses.

We offer electronic claims submission services for which we rely on content from customers, payers, and others. While we have implemented features and safeguards designed to maximize the accuracy and completeness of claims content, these features and safeguards may not be sufficient to prevent inaccurate claims data from being submitted to payers. Should inaccurate claims data be submitted to payers, we may experience poor operational results and be subject to liability claims, which could damage our reputation with customers and result in liability claims that increase our expenses.

Failure by our clients to obtain proper permissions and waivers may result in claims against us or may limit or prevent our use of data, which could harm our business.

Our clients are obligated by applicable law to provide necessary notices and to obtain necessary permission waivers for use and disclosure of the information that we receive. If they do not obtain necessary permissions and waivers, then our use and disclosure of information that we receive from them or on their behalf may be limited or prohibited by state or federal privacy laws or other laws. This could impair our functions, processes, and databases that reflect, contain, or are based upon such data and may prevent use of such data. In addition, this could interfere with or prevent creation or use of rules, and analyses or limit other data-driven activities that benefit us. Moreover, we may be subject to claims or liability for use or disclosure of information by reason of lack of valid notice, permission, or waiver. These claims or liabilities could subject us to unexpected costs and adversely affect our operating results.

Our management has identified a material weakness in our internal control over financial reporting.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended) at December 31, 2014 as required by Rules 13a-15(b) and 15d-15(b) under the Exchange Act. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were ineffective at December 31, 2014 due to a material weakness in our internal control over financial reporting. Specifically, our management has identified a material weakness in our internal controls related to the timely and accurate review over our financial closing and reporting process, and the accounting pertaining to certain complex financial transactions. Management s remediation efforts to date have included the hiring of additional accounting personnel and implementing additional controls and will include upgrading our accounting system with multi-company and multi-currency capabilities, which has already begun. Remediation efforts are expected to continue through 2015 until such time as management is able to conclude that its remediation efforts are operating and effective.

Notwithstanding the foregoing, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that the consolidated financial statements included in this registration statement present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

We may in the future identify other material weaknesses or significant deficiencies in connection with our internal control over financial reporting. Material weaknesses and significant deficiencies that may be identified in the future will need to be addressed as part of our quarterly and annual evaluations of our internal controls over financial reporting under Sections 302 and 404 of the Sarbanes-Oxley Act. Our annual evaluation will first be required in our 2015 Annual Report on Form 10-K. Any future disclosures of a material weakness, or errors as a result of a material weakness, could result in a negative reaction in the financial markets and a decrease in the price of our Series A Preferred Stock.

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We are a party to several related-party agreements with our founder and Chief Executive Officer, Mahmud Haq, which have significant contractual obligations. These agreements were not reviewed by our Audit Committee prior to their adoption and may not reflect terms that would be available from unaffiliated third parties.

Since inception, we have entered into several related-party transactions with our founder and Chief Executive Officer, Mahmud Haq, which subject us to significant contractual obligations. Since our audit committee was not formed until February 14, 2014, these related party transactions were not reviewed by our audit committee prior to their adoption, whose charter prescribes procedures for the review and approval of related party transactions. Although we believe these transactions reflect terms comparable to those that would be available from third parties, and the audit committee has now reviewed these arrangements, the lack of prior review of these transactions by our independent audit committee may have caused us to enter into agreements with Mr. Haq that we may not otherwise have entered into or upon terms less favorable to us than we may have obtained from unaffiliated third parties.

Regulatory Risks

The healthcare industry is heavily regulated. Our failure to comply with regulatory requirements could create liability for us, result in adverse publicity and negatively affect our business.

The healthcare industry is heavily regulated and is constantly evolving due to the changing political, legislative, regulatory landscape and other factors. Many healthcare laws, including the Affordable Care Act, which was signed into law in March 2010, are complex, and their application to specific services and relationships may not be clear. In particular, many existing healthcare laws and regulations, when enacted, did not anticipate or address the services that we provide. Further, healthcare laws differ from state to state and it is difficult to ensure that our business, products and services comply with evolving laws in all states. By way of example, certain federal and state laws forbid billing based on referrals between individuals or entities that have various financial, ownership, or other business relationships with healthcare providers. These laws vary widely from state to state, and one of the federal laws governing these relationships, known as the Stark Law, is very complex in its application. Similarly, many states have laws forbidding physicians from practicing medicine in partnership with non-physicians, such as business corporations, as well as laws or regulations forbidding splitting of physician fees with non-physicians or others. Other federal and state laws restrict assignment of claims for reimbursement from government-funded programs, the manner in which business service companies may handle payments for such claims and the methodology under which business services companies may be compensated for such services.

The Office of Inspector General of the Department of Health and Human Services has a longstanding concern that percentage-based billing arrangements may increase the risk of improper billing practices. They recommend that medical billing companies develop and implement comprehensive compliance programs to mitigate this risk. While we have developed and implemented a comprehensive billing compliance program that we believe is consistent with these recommendations, our failure to ensure compliance with controlling legal requirements, accurately anticipate the application of these laws and regulations to our business and contracting model, or other failure to comply with regulatory requirements, could create liability for us, result in adverse publicity and negatively affect our business.

In addition, federal and state legislatures and agencies periodically consider proposals to revise aspects of the healthcare industry or to revise or create additional statutory and regulatory requirements. For instance, certain computer software products are regulated as medical devices under the Federal Food, Drug, and Cosmetic Act. While the Food and Drug Administration (FDA) has sometimes chosen to disclaim authority to, or to refrain from actively regulating certain software products which are similar to our products, this area of medical device regulation remains in flux. We expect that the FDA will continue to be active in exploring legal regimes for regulating computer software intended for use in healthcare settings. Any additional regulation can be expected to impose additional overhead costs on us and should we fail to adequately meet these legal obligations, we could face potential regulatory action. Regulatory authorities such as the Centers for Medicare and Medicaid Services (CMS) may also impose functionality standards with regard to electronic prescribing technologies. If implemented, proposals like these could impact our operations, the use of our

services and our ability to market new services, or could create unexpected liabilities for us. We cannot predict what changes to laws or regulations might be made in the future or how those changes could affect our business or our operating costs.

If we do not maintain the certification of our EHR solutions pursuant to the HITECH Act, our business, financial condition and results of operations will be adversely affected.

The HITECH Act provides financial incentives for healthcare providers that demonstrate meaningful use of EHR and mandates use of health information technology systems that are certified according to technical standards developed under the supervision of the U.S. Department of Health and Human Services (HHS). The HITECH Act also imposes certain requirements upon governmental agencies to use, and requires healthcare providers, health plans, and insurers contracting with such agencies to use, systems that are certified according to such standards. Such standards and implementation specifications that are being developed under the HITECH Act includes named standards, architectures, and software schemes for the authentication and security of individually identifiable health information and the creation of common solutions across disparate entities.

The HITECH Act s certification requirements affect our business because we have invested and continue to invest in conforming our products and services to these standards. HHS has developed certification programs for electronic health records and health information exchanges. Our web-based EHR solution has been certified as a complete EHR by ICSA Labs, a non-governmental, independent certifying body, which indicates that our EHR solutions meet the 2014 criteria to support Stage 2 meaningful use as required by HHS to assist providers in their efforts to meet the goals and objectives of meaningful use, making such providers eligible for funding under the HITECH Act if our EHR is used appropriately. However, Stage 2 only refers to the second set of meaningful use objectives that must be met to be eligible for incentive payments. Stage 3 requirements are still being finalized. We may need to use additional resources to meet the newly defined requirements, which could lead to delays necessary to modify our solutions. We must ensure that our EHR solutions continue to be certified according to applicable HITECH Act technical standards so that our customers qualify for meaningful use incentive payments. Failure to maintain this certification under the HITECH Act could jeopardize our relationships with customers who are relying upon us to provide certified software, and will make our products and services less attractive to customers than the offerings of other EHR vendors who maintain certification of their products.

If a breach of our measures protecting personal data covered by HIPAA or the HITECH Act occurs, we may incur significant liabilities.

The Health Insurance Portability and Accountability Act of 1996, as amended (HIPAA), and the regulations that have been issued under it contain substantial restrictions and requirements with respect to the use, collection, storage and disclosure of individuals protected health information. Under HIPAA, covered entities must establish administrative, physical and technical safeguards to protect the confidentiality, integrity and availability of electronic protected health information maintained or transmitted by them or by others on their behalf. In February 2009, HIPAA was amended by the HITECH Act to add provisions that impose certain of HIPAA s privacy and security requirements directly upon business associates of covered entities. Under HIPAA and the HITECH Act, our customers are covered entities and we are a business associate of our customers as a result of our contractual obligations to perform certain services for those customers. The HITECH Act transferred enforcement authority of the security rule from CMS to the Office for Civil Rights of HHS, thereby consolidating authority over the privacy and security rules under a single office within HHS. Further, HITECH empowered state attorneys general to enforce HIPAA.

The HITECH Act heightened enforcement of privacy and security rules, indicating that the imposition of penalties will be more common in the future and such penalties will be more severe. For example, the HITECH Act requires that the HHS fully investigate all complaints if a preliminary investigation of the facts indicates a possible violation due to willful neglect and imposes penalties if such neglect is found. Further, where our liability as a business associate to our customers was previously merely contractual in nature, the HITECH Act now treats the breach of duty under an agreement by a business associate to carry the same liability as if the covered entity engaged in the breach. In other words, as a business associate, we are now

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If a breach of our measures protecting personal data covered by HIPAA or theHITECH Act occurs, we may incur sig

directly responsible for complying with HIPAA. We may find ourselves subject to increased liability as a possible liable party and we may incur increased costs as we perform our obligations to our customers under our agreements with them.

Finally, regulations also require business associates to notify covered entities, who in turn must notify affected individuals and government authorities of data security breaches involving unsecured protected health information. We have performed an assessment of the potential risks and vulnerabilities to the confidentiality, integrity and availability of electronic health information. In response to this risk analysis, we implemented and maintain physical, technical and administrative safeguards intended to protect all personal data and have processes in place to assist us in complying with applicable laws and regulations regarding the protection of this data and properly responding to any security incidents. If we knowingly breach the HITECH Act s requirements, we could be exposed to criminal liability. A breach of our safeguards and processes could expose us to civil penalties (up to $1.5 million for identical incidences) and the possibility of civil litigation.

If we or our customers fail to comply with federal and state laws governing submission of false or fraudulent claims to government healthcare programs and financial relationships among healthcare providers, we or our customers may be subject to civil and criminal penalties or loss of eligibility to participate in government healthcare programs.

As a participant in the healthcare industry, our operations and relationships, and those of our customers, are regulated by a number of federal, state and local governmental entities. The impact of these regulations can adversely affect us even though we may not be directly regulated by specific healthcare laws and regulations. We must ensure that our products and services can be used by our customers in a manner that complies with those laws and regulations. Inability of our customers to do so could affect the marketability of our products and services or our compliance with our customer contracts, or even expose us to direct liability under the theory that we had assisted our customers in a violation of healthcare laws or regulations. A number of federal and state laws, including anti-kickback restrictions and laws prohibiting the submission of false or fraudulent claims, apply to healthcare providers and others that make, offer, seek or receive referrals or payments for products or services that may be paid for through any federal or state healthcare program and, in some instances, any private program. These laws are complex and their application to our specific services and relationships may not be clear and may be applied to our business in ways that we do not anticipate. Federal and state regulatory and law enforcement authorities have recently increased enforcement activities with respect to Medicare and Medicaid fraud and abuse regulations and other healthcare reimbursement laws and rules. From time to time, participants in the healthcare industry receive inquiries or subpoenas to produce documents in connection with government investigations. We could be required to expend significant time and resources to comply with these requests, and the attention of our management team could be diverted by these efforts. The occurrence of any of these events could give our customers the right to terminate our contracts with us and result in significant harm to our business and financial condition.

These laws and regulations may change rapidly, and it is frequently unclear how they apply to our business. Any failure of our products or services to comply with these laws and regulations could result in substantial civil or criminal liability and could, among other things, adversely affect demand for our services, invalidate all or portions of some of our contracts with our customers, require us to change or terminate some portions of our business, require us to refund portions of our revenue, cause us to be disqualified from serving customers doing business with government payers, and give our customers the right to terminate our contracts with them, any one of which could have an adverse effect on our business.

Potential healthcare reform and new regulatory requirements placed on our products and services could increase our costs, delay or prevent our introduction of new products or services, and impair the function or value of our existing products and services.

Our products and services may be significantly impacted by healthcare reform initiatives and will be subject to increasing regulatory requirements, either of which could negatively impact our business in a multitude of ways. If substantive healthcare reform or applicable regulatory requirements are adopted, we may have to change or adapt our products and services to comply. Reform or changing regulatory requirements may also render our products or services obsolete or may block us from accomplishing our work or from developing new products or services. This may in turn impose additional costs upon us to adapt to the new

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operating environment or to further develop or modify our products and services. For example, the conversion to the ICD-10-CM standard for coding medical diagnoses will likely cause significant disruption to our industry and consume a large amount of our resources. Such reforms may also make introduction of new products and service more costly or more time-consuming than we currently anticipate. These changes may also prevent our introduction of new products and services or make the continuation or maintenance of our existing products and services unprofitable or impossible.

Additional regulation of the disclosure of medical information outside the United States may adversely affect our operations and may increase our costs.

Federal or state governmental authorities may impose additional data security standards or additional privacy or other restrictions on the collection, use, transmission, and other disclosures of medical information. Legislation has been proposed at various times at both the federal and the state level that would limit, forbid, or regulate the use or transmission of medical information outside of the United States. Such legislation, if adopted, may render our use of our servers in Pakistan or Poland for work related to such data impracticable or substantially more expensive. Alternative processing of such information within the United States may involve substantial delay in implementation and increased cost.

Our services present the potential for embezzlement, identity theft, or other similar illegal behavior by our employees.

Among other things, our services from time to time involve handling mail from payers and from patients for our customers, and this mail frequently includes original checks and credit card information and occasionally includes currency. Even in those cases in which we do not handle original documents or mail, our services also involve the use and disclosure of personal and business information that could be used to impersonate third parties or otherwise gain access to their data or funds. The manner in which we store and use certain financial information is governed by various federal and state laws. If any of our employees takes, converts, or misuses such funds, documents, or data, we could be liable for damages, subject to regulatory actions and penalties, and our business reputation could be damaged or destroyed. In addition, we could be perceived to have facilitated or participated in illegal misappropriation of funds, documents, or data and therefore be subject to civil or criminal liability.

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USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of our Series A Preferred Stock in this offering will be approximately $4.0 million, based on the public offering price of $25.00 per share, after deducting estimated underwriting discounts and commissions and estimated offering expenses. Our net proceeds will increase by approximately $700,000 if the underwriters option to purchase additional shares is exercised in full.

We intend to use the net proceeds of this offering to grow our business. We intend to use a portion of the net proceeds for the acquisition of businesses of other RCM or healthcare IT companies that we believe are complementary to our present business. We have not entered into any agreement or commitment with respect to any acquisitions or investments at this time.

We will place proceeds equal to two years of dividends ($1.1 million based on an offering of $5.1 million of Series A Preferred Stock) into a separate bank account to be used to pay Series A Preferred Stock dividends. However, after the first quarter in which our Adjusted EBITDA is greater than the quarterly dividend ($140,250 per quarter for $5.1 million of Series A Preferred Stock), the proceeds then remaining in this account may be used for any corporate purpose.

We will use some of the remaining proceeds for other general corporate purposes, including the expansion of our sales and marketing team and the enhancement of our products and services.

We will also use the proceeds to pay the legal, accounting and other fees associated with this offering of approximately $650,000. If the underwriters option to purchase additional shares is exercised in full, the aggregate cash consideration will increase by approximately $700,000.

Other than the items specified above, we have not allocated any specific portion of the net proceeds to any particular purpose, and our management will have the discretion to allocate the proceeds as it determines. Furthermore, the amount and timing of our actual expenditures will depend on numerous factors, including the cash used in or generated by our operations, the pace of the integration of acquired businesses, the level of our sales and marketing activities and the attractiveness of any additional acquisitions or investments. Pending the use of the proceeds from this offering described above, we plan to invest the net proceeds that we receive in this offering in highly liquid short-term interest-bearing obligations, investment grade investments, certificates of deposit or direct or guaranteed obligations of the U.S. government.

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CAPITALIZATION

Set forth below is our cash and capitalization as of June 30, 2015, on an actual basis and as adjusted to reflect the issuance of 204,000 shares of Series A Preferred Stock offered by this prospectus, assuming net proceeds of this offering of approximately $4.0 million, after deducting underwriting discounts and commissions and other offering expenses payable by us, and assuming no exercise of the underwriter s option to purchase additional shares from us.

The information below should be read in conjunction with our unaudited condensed consolidated financial statements for the three and six months ended June 30, 2015 and our audited consolidated financial statements for the year ended December 31, 2014, all of which are included in this prospectus. These financial statements should also be read with the Management s Discussion and Analysis of Financial Condition and Results of Operations, which is included in this prospectus.

	As of June 30, 2015 (unaudited)	
	Actual	As Adjusted
	(in thousands, except share data)	
Cash[1]	$ 632	$ 4,649
Debt, current portion	$ 3,130	$ 3,130
Note payable, related party	470	470
Long-term debt, net of current portion	64	64
Total debt	3,664	3,664
Shareholders equity		
Preferred stock, $0.001 par value, authorized 1,000,000 shares, no shares outstanding, actual; 204,000 shares outstanding, as adjusted		0
Common stock, $0.001 par value authorized, 19,000,000 shares; issued and outstanding, 9,721,974 and 9,711,604 shares at June 30, 2015 and December 31, 2014, respectively	10	10
Additional paid-in capital	19,060	23,076
Accumulated deficit	(7,113)	(7,113)
Accumulated other comprehensive loss	(297)	(297)
Total shareholders equity	11,660	15,676
Total capitalization	$ 15,324	$ 19,340

(1) As of September 30, 2015, we had $1.6 million of cash and $6.2 million of debt, of which $2.3 million is a current liability.

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SELECTED HISTORICAL FINANCIAL DATA

The historical consolidated statements of operations data presented below for the years ended December 31, 2013 and 2014 as well as the consolidated balance sheet data as of December 31, 2013 and 2014, are derived from our audited consolidated financial statements contained in this prospectus. The historical consolidated statements of operations data presented below for the years ended December 31, 2010, 2011 and 2012 as well as the consolidated balance sheet data as of December 31, 2010, 2011 and 2012 are derived from our consolidated financial statements not included in this prospectus. Our historical condensed consolidated statements of operations data for the six months ended June 30, 2014 and 2015 and the historical condensed consolidated balance sheet data as of June 30, 2015 are derived from our unaudited condensed consolidated financial statements contained in this prospectus. Our unaudited condensed consolidated financial statements were prepared on a basis consistent with our audited financial statements and include, in our opinion, all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair presentation of the financial information set forth in those statements. Our historical results are not necessarily indicative of the results that may be expected in the future, and our interim results are not necessarily indicative of the results that may be expected for the full year or any other period.

The financial information set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, and the audited and unaudited consolidated historical financial statements and the notes thereto for MTBC included elsewhere in this prospectus.

Consolidated Statements of Operations Data

	Year ended December 31,					Six months ended June 30,	
	2010	2011	2012	2013	2014	2014	2015
	((in thousands, except per share data)						
Net revenue	$9,229	$10,089	$10,017	$10,473	$18,303	$5,186	$12,104
Operating expenses:							
Direct operating costs	3,914	4,506	4,257	4,273	10,636	2,265	6,460
Selling and marketing	202	198	266	249	253	115	217
General and administrative	3,671	3,832	4,397	4,743	9,943	2,733	6,319
Research and development	409	410	396	386	532	243	330
Change in contingent consideration					(1,811)		(916)
Depreciation and amortization	509	546	679	949	2,791	541	2,362
Total operating expenses	8,705	9,492	9,995	10,600	22,344	5,897	14,772
Operating income (loss)	524	597	22	(127)	(4,041)	(711)	(2,668)
Interest expense net	25	16	74	136	157	97	72
Other (expense) income net	(112)	133	169	230	(135)	(182)	103
Income (loss) before provision (benefit) for income taxes	387	714	117	(33)	(4,333)	(990)	(2,637)
Income tax provision (benefit)	140	244		145	176	(317)	16
Net income (loss)	$247	$470	$117	$(178)	$(4,509)	$(673)	$(2,653)
Weighted average common shares outstanding							
Basic and diluted	5,102	5,102	5,102	5,102	7,085	5,102	9,704

Net income (loss) per share							
Basic and diluted	$0.05	$0.09	$0.02	$(0.03)	$(0.64)	$(0.13)	$(0.27)

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Consolidated Balance Sheet Data

	As of December 31,					As of June 30, 2015
	2010	2011	2012	2013	2014	
	(in thousands)					
Cash	$ 302	$ 408	$ 268	$ 498	$ 1,049	$ 632
Working capital (net)[1]	(572)	279	(504)	(1,621)	(3,559)	(3,722)
Total assets	3,537	2,838	3,484	5,773	23,107	20,153
Long-term debt	412	414	330	1,634	49	534
Shareholders (deficit) equity	(109)	360	406	118	14,321	11,660

Other Financial Data

	Year ended December 31,					Six months ended June 30,	
	2010	2011	2012	2013	2014	2014	2015
	(in thousands)						
Adjusted EBITDA[2]	$ 1,033	$ 1,143	$ 701	$ 1,069	$ (1,725)	$ (9)	$ (805)

(1) Working capital is defined as current assets less current liabilities.

(2) To provide investors with additional insight and allow for a more comprehensive understanding of the information used by management in its financial and operational decision-making, we supplement our consolidated financial statements presented on a basis consistent with U.S. generally accepted accounting principles, or GAAP, with Adjusted EBITDA, a non-GAAP financial measure of earnings. Adjusted EBITDA represents the sum of GAAP net income (loss) before provision for (benefit from) income taxes, net interest expense, other expense (income), stock-based compensation expense, depreciation, amortization, integration and transaction costs and changes in contingent consideration. Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of total revenue. Our management uses Adjusted EBITDA and Adjusted EBITDA Margin as financial measures to evaluate the profitability and efficiency of our business model. We use these non-GAAP financial measures to assess the strength of the underlying operations of our business. These adjustments, and the non-GAAP financial measures that are derived from them, provide supplemental information to analyze our operations between periods and over time. Investors should consider our non-GAAP financial measures in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP.

The following table contains a reconciliation of our GAAP net income (loss) to Adjusted EBITDA.

	Year ended December 31,					Six months ended June 30,	
	2010	2011	2012	2013	2014	2014	2015
	(in thousands)						
Net revenue	$9,229	$10,089	$10,017	$10,473	$18,303	$5,186	$12,104
GAAP net income (loss)	$247	$470	$117	$(178)	$(4,509)	$(673)	$(2,653)
Provision (benefit) for income taxes	140	244		145	176	(317)	16
Interest expense net	25	16	74	136	157	97	72

Other expense (income) net	112	(133)	(169)	(230)	135	182	(103)
Stock-based compensation expense					259	62	324
Depreciation and amortization	509	546	679	949	2,791	541	2,362
Integration and transaction costs				247	1,077	99	93
Change in contingent consideration					(1,811)		(916)
Adjusted EBITDA	$1,033	$1,143	$701	$1,069	$(1,725)	$(9)	$(805)
Adjusted EBITDA Margin	11.2%	11.3%	7.0%	10.2%	(9.4)%	(0.2)%	(6.7)%

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

We prepared the following unaudited pro forma condensed combined financial statements by applying certain pro forma adjustments to the historical consolidated financial statements of MTBC. The pro forma adjustments give effect to the following transactions (the Transactions):

Our acquisition of the assets of the subsidiaries of Omni Medical Billing Services, LLC (collectively, Omni) on July 28, 2014,
Our acquisition of the assets of Practicare Medical Management, Inc. (Practicare) on July 28, 2014,
Our acquisition of the assets of the subsidiaries of CastleRock Solutions, Inc. (collectively, CastleRock) on July 28, 2014, and
Our acquisition of primarily the customer relationships and technology of the RCM Division of QHR Technologies Inc., operating in the U.S. as SoftCare Solutions, Inc. (SoftCare) on July 10, 2015.
The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2014 and for the six months ended June 30, 2015 give effect to the Transactions as if each of them had occurred on January 1, 2014. The unaudited pro forma condensed combined balance sheet as of June 30, 2015 gives effect to the acquisition of SoftCare as if it had occurred on June 30, 2015.

The pro forma condensed combined statement of operations include adjustments for our acquisitions under Article 11 of Regulation S-X. The results of the four Transactions are shown for the periods prior to their acquisition by MTBC.

We determined that each acquisition shown involved the acquisition of a business, considering the guidance in Rule 11-01(d) of Regulation S-X, and individually as well as in aggregate met the significance test of Rule 8-04 of Regulation S-X.

The historical financial statements of MTBC, Omni, Practicare, CastleRock, and SoftCare appear elsewhere in this prospectus.

We have based the pro forma adjustments upon available information and certain assumptions that we believe are reasonable under the circumstances. We describe in greater detail the assumptions underlying the pro forma adjustments in the accompanying notes, which you should read in conjunction with these unaudited pro forma condensed combined financial statements. In many cases, we based these assumptions on estimates. The actual adjustments to our audited consolidated financial statements will depend upon a number of factors. Accordingly, the actual adjustments that will appear in our consolidated financial statements will differ from these pro forma adjustments, and those differences may be material.

We account for our acquisitions using the acquisition method of accounting for business combinations under GAAP, with MTBC being considered the acquiring entity. Under the acquisition method of accounting, the total consideration paid is allocated to an acquired company s tangible and intangible assets, net of liabilities, based on their estimated fair values as of the acquisition date. We estimate the amount of contingent consideration to be paid over the term of the agreements in determining the estimated purchase price. Adjustments to the contingent consideration are made during the term of the agreement and recorded as gain or loss in the Company s Statement of Operations.

We provide these unaudited pro forma condensed combined financial statements for informational purposes only. These unaudited pro forma condensed combined financial statements do not purport to represent what our results of

operations or financial condition would have been had the Transactions actually occurred on the assumed dates, nor do they purport to project our results of operations or financial condition for any future period or future date. You should read the unaudited pro forma condensed combined statement of operations in conjunction with Selected Historical Consolidated Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations, and the historical financial statements, including the related notes thereto, appearing elsewhere in this prospectus.

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS For the year ended December 31, 2014

	MTBC	Omni	Practicare	CastleRock	MTBC + 2014 Acquisition Subtotal	SoftCare[9]	Adjustments for Customers Not Acquired[1]	Pro Forma Adjustments	Pro Forma Combined
		January 1	July 27, 2014						
	(in thousands, except per share data)								
Net revenue	$18,303	$6,336	$2,374	$2,701	$29,714	$2,662	$(306)	$	$32,070
Operating expenses:									
Direct operating costs	10,636	3,991	1,922	814	17,363	1,874	(83)		19,154
Selling, general and administrative	10,196	1,416	660	1,736	14,008	1,982	(269)	(997)[2]	14,724
Research and development	532				532	1,044			1,576
Change in contingent consideration	(1,811)				(1,811)				(1,811)
Depreciation and amortization	2,791	449	25	92	3,357	300		848 [3]	4,505
Total operating expenses	22,344	5,856	2,607	2,642	33,449	5,200	(352)	(149)	38,148
Operating (loss) income	(4,041)	480	(233)	59	(3,735)	(2,538)	46	149	(6,078)
Interest expense net	157	7	1	18	183	48			231
Other (expense) income net	(135)	22		20	(93)	(89)			(182)
(Loss) income before provision (benefit) for income taxes	(4,333)	495	(234)	61	(4,011)	(2,675)	46	149	(6,491)
Income tax provision (benefit)	176				176	(539)	12	[4]	(351)
Net (loss) income	$(4,509)	$495	$(234)	$61	$(4,187)	$(2,136)	$34	$149	$(6,140)
Weighted average common shares outstanding:									
Basic and diluted	7,085							293 [8]	7,378
Net loss per share:									
Basic and diluted	$(0.64)								$(0.83)

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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS For the six months ended June 30, 2015

	MTBC	SoftCare[9]	Adjustments for Customers Not Acquired[1]	SoftCare Acquisition Subtotal	Pro Forma Adjustments	Pro Forma Combined
	(in thousands, except per share data)					
Net revenue	$12,104	$1,248	$(155)	$1,093	$	$13,197
Operating expenses:						
Direct operating costs	6,460	981	(34)	947		7,407
Selling, general and administrative	6,536	864	(44)	820	(2)[2]	7,354
Research and development	330	335		335		665
Change in contingent consideration	(916)					(916)
Depreciation and amortization	2,362	53		53	4 [3]	2,419
Total operating expenses	14,772	2,233	(78)	2,155	2	16,929
Operating loss	(2,668)	(985)	(77)	(1,062)	(2)	(3,732)
Interest expense net	72	4		4		76
Other income net	103	6		6		109
Loss before benefit for income taxes and other expenses	(2,637)	(983)	(77)	(1,060)	(2)	(3,699)
Impairment of goodwill and intangible assets		(2,117)		(2,117)	2,117 [3]	
(Loss) income before taxes	(2,637)	(3,100)	(77)	(3,177)	2,115	(3,699)
Income tax provision	16	967		967	[4]	983
Net (loss) income	$(2,653)	$(4,067)	$(77)	$(4,144)	$2,115	$(4,682)
Weighted average common shares outstanding:						
Basic and diluted	9,704				(14)[8]	9,690
Net loss per share:						
Basic and diluted	$(0.27)					$(0.48)

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UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET As of June 30, 2015

	MTBC	SoftCare[9]	Adjustments for Assets not Acquired	Acquisition Related Pro Forma Adjustments	Consolidated Pro Forma Results
	(in thousands)				
Cash	$632	$57	$(57)[5]	$(22)[7]	$610
Accounts receivable net	2,637	381	(381)[5]		2,637
Other current assets	405	28	(28)[5]		405
Current assets	3,674	466	(466)	(22)	3,652
Property, plant and equipment net	1,450	7		2 [7]	1,459
Intangible assets net	6,290			285 [6]	6,575
Goodwill	8,560			1,241 [7]	9,801
Other assets	179				179
Total assets	$20,153	$473	$(466)	$1,506	$21,666
Accounts payable	$665	$319	$(319)[5]	$	$665
Accrued expenses	1,712				1,712
Short term debt	3,130				3,130
Deferred revenue	24	103	(45)[5]		82
Deferred rent	22				22
Contingent consideration	1,844			1,455 [7]	3,299
Total current liabilities	7,397	422	(364)	1,455	8,910
Long term debt	534	2,817	(2,817)[5]		534
Other liabilities	563				563
Total liabilities	8,494	3,239	(3,181)	1,455	10,007
Common stock	10	1,361	(1,361)[5]		10
Additional paid-in capital	19,060				19,060
Retained deficit	(7,114)	(3,573)	3,573 [5]		(7,114)
Accumulated other comprehensive (loss) income	(297)	(554)	554 [5]		(297)
Total shareholders equity	11,659	(2,766)	2,766		11,659
Total liabilities and shareholders equity	$20,153	$473	$(415)	$1,455	$21,666

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NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

In connection with our acquisition of SoftCare, we entered into an asset purchase agreement (APA) with SoftCare Solutions, Inc., a Nevada Corporation, the U.S. subsidiary of QHR Corporation, a publicly traded, Canada-based healthcare technology company. Pursuant to the APA, the Company purchased substantially all of the assets of SoftCare s clearinghouse, electronic data interchange (EDI) and billing divisions. SoftCare is referred to as the RCM Division of QHR Technologies Inc. We did not purchase the non-healthcare EDI customers of SoftCare and amounts applicable to those customers have been removed from the pro forma condensed combined financial statements.

The audited financial statements of the RCM Division of QHR Technologies Inc. (RCM Division), which operates in the U.S. as SoftCare, were prepared under International Financial Reporting Standards (IFRS) and in Canadian dollars. We have translated the financial statement amounts into U.S. dollars for purposes of presenting the pro forma financial information. The assets and liabilities in the balance sheet amounts were translated using the end of period exchange rates while the stockholders equity accounts were translated at the appropriate historical rates in effect at that date. The statement of operations amounts were translated using the average foreign exchange rate during the applicable period.

Based on our review of the RCM Division financial statements and other procedures we performed, we determined that there were no adjustments necessary to convert the audited financial statement amounts prepared under IFRS to amounts that would have resulted under generally accepted accounting principles used in the United States (GAAP).

We performed a preliminary purchase price allocation based on models used internally and our estimate of the contingent consideration. The estimated contingent consideration amount was based on internal projections of future financial results and then using those results to determine the amount of payments required to be made under the APA**.** Such amounts are subject to revision based on work currently being performed with the assistance of outside valuation specialists and will be adjusted in future filings.

NOTES:

(1) **Elimination of customers not acquired** We have adjusted the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2014 and the six months ended June 30, 2015 to eliminate revenue, direct operating costs and selling, general and administrative expense associated with customers not acquired. The SoftCare purchase agreement specified that certain non-healthcare customers of SoftCare s EDI division were explicitly excluded from the APA and retained by QHR as part of this transaction. No tax effect has been provided with respect to the customers not acquired. Direct operating costs and selling, general and administrative expense for these customers were allocated based on the percentage of revenue within SoftCare s EDI division in each quarter. Tax expense has been provided at the statutory tax rate with respect to the customers not acquired.

(2) **Expenses Directly Attributable to the Transactions** The following are non-recurring transaction expenses for professional fees incurred by the Company and entities purchased during the year ended December 31, 2014 and the six months ended June 30, 2015 associated with the Transactions.

Year ended December 31, 2014				
MTBC	Omni	Practicare	CastleRock	SoftCare

						Total Expense
	(in thousands)					
Professional fees incurred	$ 863	$ 69	$ 65	$	$	$ 997

Non-recurring transaction expenses associated with SoftCare

	Six months ended June 30, 2015	
	SoftCare	Total Expense
	(in thousands)	
Professional fees incurred	$ 2	$ 2

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(3) **Amortization of Intangible Assets** We amortize intangible assets over their estimated useful lives. We based the estimated useful lives of acquired intangible assets on the amount and timing in which we expect to receive an economic benefit. We assigned these intangible assets a useful life of 3 years based upon a number of factors, including contractual agreements, consumer awareness and economic factors pertaining to the combined companies.

The estimates of fair value and weighted-average useful lives of intangibles acquired in the SoftCare acquisition could be impacted by a variety of factors including legal, regulatory, contractual, competitive, economic or other factors. Increased knowledge about these factors could result in a change to the estimated fair value of these intangible assets and/or the weighted-average useful lives from what we have assumed in these unaudited pro forma condensed combined financial statements. In addition, the combined effect of any such changes could result in a significant increase or decrease to the related amortization expense estimates.

The amortization of intangible assets of our acquisitions, shown below, assumes that the assets were acquired on January 1, 2014 and amortized over the period associated with each statement of operations.

Amortization expense for the year ended December 31, 2014

	Omni	Practicare	CastleRock	SoftCare[9]	Total Expense
	(in thousands)				
Pro forma amortization expense for the period prior to acquisition	$919	$ 264	$ 342	$ 95	$ 1,620
As recorded in the historical financial statements	408		88	276	772
Pro forma adjustment	$511	$ 264	$ 254	$ (181)	$ 848

Amortization expense for SoftCare for the six months ended June 30, 2015

	SoftCare[9] (in thousands)
Pro forma amortization expense for the period prior to acquisition	$ 48
As recorded in the historical financial statements	44
Pro forma adjustment	$ 4

SoftCare determined that their intangible assets and goodwill prior to our acquisition had a minimal fair value as of June 30, 2015. As a result, SoftCare recognized an impairment loss for the six months ended June 30, 2015. This impairment would not have been recognized in this period if MTBC had acquired the assets of SoftCare as of January 1, 2014.

(4) **Provision (benefit) for Income Tax** The income tax effects reflected in the pro forma adjustments are based on an estimated Federal statutory rate of 34%. We did not record an income tax benefit for the year ended December 31, 2014 and the six months ended June 30, 2015 in the unaudited pro forma condensed combined statements of operations since the Company has a valuation allowance recorded against its Federal and state deferred tax assets as of December 31, 2014.

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The following table details the pro forma adjustments to income taxes for the year ended December 31, 2014:

Provision for Income Taxes

	Omni	Practicare	CastleRock				
	January 1	July 27, 2014		2014 Acquisition Subtotal	SoftCare	Pro Forma Adjustments	Pro Forma Income (Loss) before Provision (Benefit) for Income Taxes
	(in thousands)						
Income (loss) before provision (benefit) for income taxes	$495	$(234)	$ 61	$ 322	$(2,629)	$ 149	$(2,158)
Estimated benefit at statutory income tax rate of 34%							(734)
Less provision for income taxes:							
Omni							
Practicare							
CastleRock							
SoftCare							(527)
Valuation allowance							1,261
Pro forma adjustment							$

The following table details the pro forma adjustments to income taxes for the six months ended June 30, 2015:

Provision for Income Taxes

	SoftCare	Adjustments for Customers Not Acquired	SoftCare Acquisition Subtotal	Pro Forma Adjustments	Pro Forma Loss before Provision (Benefit) for Income Taxes
	(in thousands)				
Income (loss) before provision (benefit) for income taxes	$(3,100)	$ (77)	$(3,177)	$ 2,115	$(1,062)
Estimated benefit at statutory income tax rate of 34%					(361)
Less provision for income taxes:					
SoftCare					967
Valuation allowance					(606)
Pro forma adjustment					$

(5) **Assets and Liabilities Not Acquired from SoftCare** We adjusted the unaudited pro forma condensed combined balance sheet to eliminate approximately $466,000 of tangible assets held by SoftCare that we did not acquire, and

approximately $3.2 million in liabilities that we did not assume as part of the acquisition of SoftCare s assets, which was accomplished by the APA listing specific assets. The APA includes the purchase primarily of SoftCare s customer relationships and agreements, technology as well as fixed assets, but not the purchase of accounts receivable or the assumption of any liabilities.

We did not purchase the non-healthcare EDI customers of SoftCare and amounts applicable to those customers have been removed from the pro forma condensed combined financial statements.

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Pro Forma Adjustments for Assets and Liabilities Not Acquired The following schedule summarizes the adjustments to assets and liabilities in the unaudited condensed combined balance sheets, including all adjustments above as well as adjustments to intangibles and goodwill specified below.

Pro Forma Adjustments

	Pro Forma Adjustments (in thousands)
Cash	$ 57
Accounts receivable	381
Other current assets	28
Property, plant and equipment net	
Total assets	$ 466
Accounts payable	$ (319)
Deferred revenue	(45)
Long term debt	(2,817)
Total liabilities	(3,181)
Common stock	(1,361)
Retained deficit	3,573
Accumulated other comprehensive (loss) income	554
Total shareholders equity	2,766
Total liabilities and shareholders equity	$ (415)

(6) **Intangible Assets** We based our preliminary estimates of each intangible asset type/category that we expect to recognize as part of the SoftCare acquisition on the nature of the business and the contracts that we have entered into with the sellers. We also acquired the use of certain technology as part of the acquisition. We based our estimates on experiences from our prior acquisitions and the types of intangible assets that we recognized as part of those acquisitions. In particular, our experience with our prior acquisitions indicates to us that customer contracts and customer relationships and non-compete agreements compose the significant majority of intangible assets for these types of business. We typically acquire the trademarks and trade names of the businesses we acquire, for defensive purposes, but we do not continue doing business under these names, which typically do not have registered trademarks and are not defensible. We have determined that the value of these trademarks is de minimis and have recorded no value in the financial statements. We based the preliminary estimated useful lives of these intangible assets on the useful lives that we have experienced for similar intangible assets in prior acquisitions. However, all of these estimates are preliminary, and therefore we have not been able to finalize the accounting for this transaction.

The amounts set forth below reflect the preliminary fair value of the intangible assets of SoftCare that we acquired, and their estimated useful lives. All preliminary estimates for the fair value of the intangibles will be adjusted taking into consideration the work of a valuation specialist.

Intangible Assets of SoftCare

	Estimated useful life

	(in thousands)	
Customer relationships	$ 112	3 years
Non-compete agreement	93	3 years
Acquired technology	80	3 years
Total intangible assets	$ 285	

For accounting purposes, we use an estimated useful life of three years to amortize these intangible assets, attributing the value of the customer relationships to the first three years and attributing future customer life to the services provided by us. We have also estimated that the estimated useful life of the non-compete agreements and acquired technology is approximately three years.

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(7) **Purchase Price Allocation** We recognize the assets and liabilities acquired at their fair value on the acquisition date, and if there is any excess in purchase price over these values it is allocated to goodwill. Other than some minor fixed assets, we did not acquire tangible assets in the acquisition of SoftCare.

For SoftCare, management has made an initial fair value estimate of the assets acquired and liabilities assumed as of June 30, 2015. Our model, for each acquired division of SoftCare, includes assumptions such as revenue growth rates, profitability rates, attrition rates and weighted average costs of capital, where applicable. These initial estimates will differ from the final valuation being prepared with the assistance of a third-party specialist; and this difference could be material.

The APA for SoftCare includes the purchase of certain fixed assets and no assumption of liabilities other than deferred revenue. We determined the fair value of the fixed assets acquired by reference to current market prices for such assets.

Included in the purchase price allocation are amounts for customer relationships, the non-compete agreement and acquired technology. Using an internally developed model and assumptions regarding future operating results, we determined the fair value of these intangible assets.

The balance of the purchase price for SoftCare has been allocated to goodwill. The factors which drove our valuation models to allocate a portion of the price to goodwill in the acquisition of SoftCare include the following: (i) SoftCare is being purchased at higher multiples to their trailing revenues, (ii) the acquisition will allow the Company to leverage the clearing house division services to existing customers and (iii) the acquisition allows the Company to expand the breadth of its operations. All purchase accounting estimates are subject to revision until the Company finalizes its purchase accounting estimates with the assistance of a third-party valuation expert.

For the SoftCare acquisition, management has made an initial estimate that approximately $1,241,000 of goodwill will result from this acquisition. We believe that this amount will be deductible for tax purposes over a period of 15 years. However, these estimates are preliminary, and we have not completed the required tax and legal analyses to finalize our determination of deductibility of goodwill for tax purposes. Accordingly, the values of the goodwill recognized from this acquisition and its deductibility for tax purposes set forth in these unaudited pro forma condensed combined financial statements could change and may differ materially from what we present here.

The preliminary estimate of contingent consideration is based on our estimate of future operating results and the required payments under the APA. Amounts are required to be paid in cash on a bi-annual basis based on the terms in the APA. Those estimated future operating results could differ materially which would require adjustment at the end of each reporting period to the contingent consideration liability.

The purchase price adjustment is considered a form of contingent consideration. This contingent consideration arrangement is a liability and it is measured at fair value on the acquisition date and then subsequently remeasured at each reporting date. Any differences between the amounts estimated to be paid at the acquisition date and the amounts ultimately paid are accounted for as a gain or loss within the Statement of Operations and do not reduce or increase the purchase price.

For the valuation of the contingent consideration, we have assumed that revenue from existing customers will be approximately 15% less in the 12 months following closing as compared to the 12 months preceding the closing. This assumption is based on management s estimate that we will be able to retain customers producing approximately 85% of the revenue for at least one year following the closing, with customer losses and resulting revenue losses spread evenly over the 12 months following closing. Further analysis of each customer base will be undertaken, and the fair value of the cash consideration to be paid may be greater or lesser than the amount shown.

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The following table shows the preliminary purchase price, estimated fair values of the acquired assets and liabilities assumed and non-controlling interest and calculation of goodwill for SoftCare as of June 30, 2015, the date of our most recent balance sheet.

Preliminary Purchase Price Allocation

	SoftCare (in thousands)
Cash consideration	$ 22
Contingent consideration	1,455
Total purchase price	$ 1,477
Net tangible assets acquired	$ 9
Intangible assets	285
Goodwill	1,241
Deferred revenue	(58)
Total preliminary purchase price allocation	$ 1,477

(8) **Weighted Average Shares Outstanding** The pro forma weighted average shares outstanding takes into account our weighted average shares outstanding during the twelve months ended December 31, 2014 and the six months ended June 30, 2015 and adds to that number the number of shares of common stock issued in connection with acquisition of the Acquired Businesses as of the beginning of 2014. In each case, we assume that the shares were issued and became outstanding on January 1, 2014.

Weighted average shares outstanding

	Common Shares	
	December 31, 2014	June 30, 2015
	(in thousands)	
Weighted average shares outstanding	5,102	5,102
Acquired Businesses		
Shares issued for Omni	315	315
Shares issued for Practicare	44	44
Shares issued for CastleRock	54	54
Shares issued in initial public offering	1,811	4,080
Shares issued from convertible note	52	118
Company stock forfeited by CastleRock		(54)
Restricted share units vested		31
Total pro forma weighted average shares outstanding	7,378	9,690

(9) **Foreign Currency Translation Statements of Operations and Balance Sheet**

We translated the SoftCare financial statements which were prepared in Canadian dollars to U.S. dollars. Amounts in the Statement of Operations were translated using the average foreign exchange rates during the applicable period. The assets and liabilities in the balance sheet were translated using end of period exchange rates while the stockholders equity accounts were translated at the appropriate historical rates.

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STATEMENT OF OPERATIONS

For the year ended December 31, 2014

	SoftCare	
	CAD	USD
	(in thousands)	
Revenue	$ 2,938	$ 2,662
Operating expenses:		
Direct operating costs	2,069	1,874
Selling, general and administrative	2,188	1,982
Research and development	1,153	1,044
Depreciation and amortization	331	300
Total operating expenses	5,741	5,200
Operating loss	(2,803)	(2,538)
Interest expense net	53	48
Other expense net	(98)	(89)
Loss before benefit for income taxes	(2,954)	(2,675)
Income tax benefit	(595)	(539)
Net loss	$ (2,359)	$ (2,136)

STATEMENT OF OPERATIONS

For the six months ended June 30, 2015

	SoftCare	
	CAD	USD
	(in thousands)	
Revenue	$ 1,540	$ 1,248
Operating expenses:		
Direct operating costs	1,211	981
Selling, general and administrative	1,066	864
Research and development	413	335
Depreciation and amortization	66	53
Total operating expenses	2,756	2,233
Operating loss	(1,216)	(985)
Interest expense net	5	4
Other income net	7	6
Loss before provision for income taxes and other expenses	(1,214)	(983)
Impairment of goodwill and intangible assets	(2,613)	(2,117)
Loss before taxes	(3,827)	(3,100)
Income tax provision	1,193	967
Net loss	$ (5,020)	$ (4,067)

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BALANCE SHEET

As of June 30, 2015

	SoftCare CAD	USD
	(in thousands)	
Cash	$ 70	$ 57
Accounts receivable net	470	381
Other current assets	34	28
Current assets	574	466
Property, plant & equipment, net	8	7
Total assets	$ 582	$ 473
Accounts payable and accrued expenses	$ 394	$ 319
Total current liabilities	394	319
Long term debt	3,480	2,817
Deferred revenue	126	103
Total liabilities	4,000	3,239
Common stock	1,356	1,361
Retained deficit	(4,851)	(3,573)
Accumulated other comprehensive income (loss)	77	(554)
Total shareholders deficit	(3,418)	(2,766)
Total liabilities and shareholders deficit	$ 582	$ 473

Supplemental Information

For SoftCare and each of the Acquired Businesses we identified revenue from customers who cancelled their contracts prior to MTBC s acquisition of such customers contracts. Such revenue is included in the pro forma condensed consolidated statement of operations, even though MTBC will not generate revenues from those customers. Pursuant to the terms of the respective purchase agreements, the original purchase price to be paid for the assets of each of the Acquired Businesses was calculated as a multiple of revenue generated by such Acquired Business in the most recent four quarters included in the IPO prospectus from its customers that were in good standing as of the acquisition closing date and is subject to subsequent adjustments. The purchase price for SoftCare is almost entirely based on the actual revenue MTBC generates from SoftCare customers during the 36 months after acquisition. The amount of revenue we have indicated below is based on reports provided, and representations made, by management of the Acquired Businesses.

Estimated revenue from customers who have cancelled prior to our acquisition

	Omni	Practicare	CastleRock	SoftCare[9]	Total
	(in thousands)				
Year ended December 31, 2014	$ 384	$ 43	$ 72	$ 506	$ 1,005
Six months ended June 30, 2015				286	286

To provide investors with additional insight and allow for a more comprehensive understanding of the information used by management in its financial and operational decision-making surrounding pro forma operations, we supplement our consolidated financial statements presented on a basis consistent with U.S. generally accepted accounting principles, or GAAP, with Adjusted EBITDA, a non-GAAP financial measure of earnings. Adjusted EBITDA represents the sum of GAAP net income (loss) before provision for (benefit from) income taxes, net interest expense, other expense (income), stock-based compensation expense, depreciation and amortization, integration and transaction costs, and changes in contingent consideration, and Adjusted EBITDA Margin represents Adjusted EBITDA as a percentage of total revenue. Our management uses Adjusted EBITDA and Adjusted EBITDA Margin as financial measures to evaluate the profitability and efficiency of our business model. We use these non-GAAP financial measures to assess the strength of the underlying operations of our business. These adjustments, and the non-GAAP financial measures that are derived from them, provide supplemental information to analyze

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our operations between periods and over time. We find this especially useful when reviewing pro forma results of operations which include large non-cash amortization of intangibles assets from acquisitions. Investors should consider our non-GAAP financial measures in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP.

The following tables contain a reconciliation of net income (loss) to Adjusted EBITDA for the year ended December 31, 2014 and the six months ended June 30, 2015:

Reconciliation of net (loss) income for the year ended December 31, 2014 to Adjusted EBITDA

	MTBC	Omni	Practicare	CastleRock	MTBC + 2014 Acquisition Subtotal	SoftCare(9)	Adjustments for Customers Not Acquired	Pro Forma Adjustments	Pro Forma Combined
		January 1	July 27, 2014						
	(in thousands)								
Net revenue	$18,303	$6,336	$2,374	$2,701	$29,714	$2,662	$(306)	$	$32,070
Net (loss) income	$(4,509)	$495	$(234)	$61	$(4,187)	$(2,136)	$34	$149	$(6,140)
Provision for income taxes	176				176	(539)	12		(351)
Interest expense net	157	7	1	18	183	48			231
Other income (expense) net	135	(22)		(20)	93	89			182
Stock-based compensation expense	259				259				259
Depreciation and amortization	2,791	449	25	92	3,357	300		848	4,505
Integration and transaction costs	1,076				1,076				1,076
Change in contingent consideration	(1,811)				(1,811)				(1,811)
Adjusted EBITDA	$(1,726)	$929	$(208)	$151	$(854)	$(2,238)	$46	$997	$(2,049)
Adjusted EBITDA Margin	(9.4)%	14.7%	(8.8)%	5.6%	(2.9)%	(84.1)%			(6.4)%

Reconciliation of net (loss) income for the six months ended June 30, 2015 to Adjusted EBITDA

	MTBC	SoftCare(9)	Adjustments for Customers Not Acquired	SoftCare Acquisition Subtotal	Pro Forma Adjustments	Pro Forma Combined

	(in thousands)					
Net revenue	$12,104	$1,248	$(155)	$1,093	$	$13,197
Net (loss) income	$(2,653)	$(4,067)	$(77)	$(4,144)	$2,115	$(4,682)
Provision for income taxes	16	967		967		983
Interest expense net	72	4		4		76
Other expense net	(103)	(6)		(6)		(109)
Stock-based compensation expense	324					324
Depreciation and amortization	2,362	53		53	4	2,419
Integration and transaction costs	93					93
Impairment of goodwill and intangible assets		2,117		2,117	(2,117)	
Change in contingent consideration	(916)					(916)
Adjusted EBITDA	$(805)	$(932)	$(77)	$(1,009)	$2	$(1,812)
Adjusted EBITDA Margin	(6.7)%	(74.7)%		(92.3)%		(13.7)%

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Selected Historical Consolidated Financial Information and the Pro Forma Condensed Combined Financial Information and the consolidated historical and pro forma financial statements and the related notes thereto included in this prospectus. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from management s expectations. Factors that could cause such differences are discussed in Special Note Regarding Forward-Looking Statements and Risk Factors. We assume no obligation to update any of these forward-looking statements.

Overview

MTBC is a healthcare information technology company that provides a fully integrated suite of proprietary web-based solutions, together with related business services, to healthcare providers practicing in ambulatory settings. Our integrated Software-as-a-Service (or SaaS) platform is designed to help our customers increase revenues, streamline workflows and make better business and clinical decisions, while reducing administrative burdens and operating costs. We employ a highly educated workforce of approximately 1,800 people in Pakistan, as of August 31, 2015, where we believe labor costs are approximately one-half the cost of comparable India-based employees, and one-tenth the cost of comparable U.S. employees, thus enabling us to deliver our solutions at competitive prices.

Our flagship offering, PracticePro, empowers healthcare practices with the core software and business services they need to address industry challenges, including the Affordable Care Act, on one unified SaaS platform. We deliver powerful, integrated and easy-to-use big practice solutions to small and medium practices, which enable them to efficiently operate their businesses, manage clinical workflows and receive timely payment for their services. PracticePro consists of:

- Practice management software and related tools, which facilitate the day-to-day operation of a medical practice;
- Electronic health records (or EHR), which are easy to use, highly ranked, and allow our customers to reduce paperwork and qualify for government incentives;
- Revenue cycle management (or RCM) services, which include end-to-end medical billing, analytics, and related services; and
- Mobile Health (or mHealth) solutions, including smartphone applications that assist patients and healthcare providers in the provision of healthcare services.

Adoption of our solutions requires only a modest upfront expenditure by a provider. Additionally, our financial performance is linked directly to the financial performance of our clients because the vast majority of our revenues is based on a percentage of our clients collections. The standard fee for our complete, integrated, end-to-end solution is calculated as a percentage of a practice s healthcare-related revenues plus a one-time setup fee, and is among the lowest in the industry.

Our growth strategy involves three approaches: acquiring RCM companies and then migrating the customers of those companies to our solutions, partnering with smaller RCM companies to service their customers while paying them a share of revenue received, as well as partnering with EHR and other vendors that lack an integrated solution and integrating our solutions with their offerings.

The RCM service industry is highly fragmented, with many local and regional RCM companies serving small medical practices. We believe that the industry is ripe for consolidation and that we can achieve significant growth through acquisitions and partnerships. We further believe that it is becoming increasingly difficult for traditional RCM companies to meet the growing technology and business service needs of healthcare providers without a significant investment in information technology infrastructure.

We have signed two revenue-sharing agreements with smaller RCM companies in which we service their customers while paying a percentage of our collections to them as a referral fee. We sometimes hire a few employees from the RCM companies for a transition period.

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We believe we will also be able to accelerate organic growth by partnering with EHR companies who do not offer revenue cycle management services, utilizing them as channel partners to offer integrated solutions to their customers. We have recently entered into arrangements with industry participants from which we began to derive revenue starting in mid-2014, including emerging EHR providers and other healthcare vendors that lack a full suite of solutions. We have developed application interfaces with several EHR systems to create integrated offerings.

Our Pakistan operations accounted for approximately 50% of total expenses for the six months ended June 30, 2014 and 33% of expenses for the six months ended June 30, 2015. A significant portion of those expenses were personnel-related costs (approximately 77% for the six months ended June 30, 2014 and 81% for the six months ended June 30, 2015). Because personnel-related costs are significantly lower in Pakistan than in the U.S. and many other offshore locations, we believe our Pakistan operations give us a competitive advantage over many industry participants. All of the medical billing companies that we acquired, including the Acquired Businesses, use domestic labor or labor from higher cost locations to provide all or a substantial portion of their services. We are able to achieve significant cost reductions as we shift these domestic labor costs to Pakistan.

Case Study: Acquisition Integration

MTBC acquired 9 separate operating units, with annual revenues totaling approximately $20 million, from Omni, CastleRock and Practicare on July 28, 2014. Over the next eight months, the Company s primary focus was integrating the customers and operations from these business units, retaining the vast majority of clients while dramatically reducing expenses.

Two key elements of the transition were migrating work from third-party software platforms to MTBC s platform, and transitioning the core operations activities to our team offshore. Because we were concerned about a smooth transition, and because these three acquisitions nearly doubled the practices we served, we decided to make the initial few months of transition more gradual, only moving 23% of the labor to our team and 6% of the practices to our platform in the first two months after acquisition. By the end of December, five months after the acquisitions, 72% of accounts were using MTBC s platform and approximately 90% of the core operations work was being handled by our team offshore.

By eleven months, at the end of June 2015, 98% of the core operations work was being handled offshore and 90% of accounts were migrated to MTBC s platform. The remaining 10% of accounts will transition slowly: these are practices which rely on third-party technology which was used by the Acquired Businesses.

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Even though our team is less efficient logging into third-party platforms, we can still do the work offshore, and in many cases we can extract data from these systems and use our own platform for some of the processing. We typically try not to force clients to move to our platform.

In Q4 of 2014, MTBC nearly doubled the size of its Pakistan workforce, from approximately 1,100 employees to 2,060 employees, and began training its offshore team to take over work from the 450 Indian subcontractors of the Acquired Businesses, who were twice the cost per person, as well as the U.S.-based employees. By the end of the first quarter of 2015, use of all of these Indian subcontractors (who were twice the price of Pakistan employees) had been eliminated, and the U.S. headcount, which was 298 immediately after the acquisitions in July 2014, was 205 employees on December 31, 2014 and 79 on June 30, 2015.

Expense Reduction	Since the start of 2015, we have been able to reduce the size of the Pakistan employee base to approximately 1,800 employees, and over time, we expect to reduce the employee base even further, as new employees in Pakistan become more productive. In Q4 of 2014, the first full quarter after the acquisitions, MTBC s direct operating cost was $4.7 million. One quarter later, in Q1 of 2015, direct operating cost was reduced by $1.2 million, to $3.5 million, and two quarters later it was $2.9 million, a 38% reduction. Many costs were reduced besides labor. For example, lease costs were reduced by 65% from the costs at the time of the acquisitions. This was possible because MTBC only acquired customer contracts, not the shares of the Acquired Businesses, so MTBC did not assume leases for facilities or equipment. The migration of clients to MTBC s platform has allowed us to begin reducing third party software and telecom costs. Unfortunately, if even a single client is using a platform, it is sometimes impossible to negotiate savings without disrupting service.

During Q1 and Q2 of 2015, we continued to reduce expenses. For example, the Q2 salary and benefits cost included nearly $200,000 for employees who were no longer employed by the end of Q2, and we continued to reduce staff, close offices and reduce other expenses during the quarter.

Overall, the cost reductions were slightly more gradual than those accompanying the Metro acquisition in 2013, where operating expenses were reduced 52% in 9 months, in accordance with our plan, due to the integration of nine units in parallel.

Key Metrics

In addition to the line items in our consolidated financial statements, we regularly review the following key metrics to evaluate our business, measure our performance, identify trends in our business, prepare financial projections, make strategic business decisions, and assess market share trends and our working capital needs. We believe information

from these metrics is useful for investors to understand the underlying trends in our business.

Set forth below are our key operating and financial metrics for customers using our platform, which excludes acquired customers who have not migrated to our platform. Practices using our platform accounted for approximately 90% of our revenue for the six months ended June 30, 2014 and approximately 69% for the six months ended June 30, 2015, due to 37 large clients from the three acquisitions during the year ended December 31, 2014 who we are servicing on other platforms.

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First Pass Acceptance Rate: We define first pass acceptance rate as the percentage of claims submitted electronically by us to insurers and clearinghouses that are accepted on the first submission and are not rejected for reasons such as insufficient information or improper coding. Clearinghouses are third parties that process the submission of claims to insurers and require compliance with insurance companies formatting and other submission rules before submitting those claims. For the purposes of calculating first pass acceptance rate, consistent with industry practice, we exclude claims submitted under real-time adjudication procedures, which are procedures that allow a healthcare provider to determine, at the point of care, if a service they are rendering will be paid. Our first-time acceptance rate is 96% for the twelve months ended June 30, 2015, which compares favorably to the average of the top twelve payers of approximately 94%, as reported by the American Medical Association.

First Pass Resolution Rate: First pass resolution rate measures the percentage of primary claims that are favorably adjudicated and closed upon a single submission. Our first pass resolution rate was approximately 94% for the twelve months ended June 30, 2015.

Days in Accounts Receivable: Days in accounts receivable measures the median number of days between the day a claim is submitted by us on behalf of our customer, and the date the claim is paid to our customer. Our clients median days in accounts receivable was 37 days for primary care and 40 days for combined specialties for the twelve months ended June 30, 2015, as compared to the national average of 36 and 40 days respectively, as reported by the Medical Group Management Association in 2014, an association for professional administrators and leaders of medical group practices. Our days in accounts receivable are higher than our historic average since the acquisitions of the Acquired Businesses due to customers who are not on our platform, but are comparable to the industry average.

Customer Renewal Rate: Our customer renewal rate measures the percentage of our clients who were a party to a services agreement with us on January 1 of a particular year and continued to operate and be a client on December 31 of the same year. It also includes acquired accounts, if they are a party to a services agreement with the company we acquired and are generating revenue for us, so long as the risk of client loss under the respective purchase agreement has fully shifted to us by January 1 of the particular year. Our renewal rate for 2014 and 2013 was 85% each year. The renewal rate for our customers who are also users of our EHR for 2014 and 2013 was 93% and 90%, respectively. The renewal rate for our customers who are meaningful users (i.e., those who successfully attested for meaningful use and earned a bonus) of our EHR for the years ended December 31, 2014 and 2013 was approximately 93% and 95%, respectively. The percentage of our revenue we generated during the years ended December 31, 2014 and 2013 which came from all users of our EHR was 25% and 50%, respectively, and from meaningful users of our EHR was 14% and 27%, respectively.

Providers and Practices Served. As of June 30, 2015, we served approximately 1,760 providers (which we define as physicians, nurses, nurse practitioners, physician assistants and other clinical staff that render bills for their services), representing 817 practices.

Sources of Revenue

Revenue: We derive our revenues primarily as a percentage of payments collected by our customers that use our comprehensive product suite, which includes revenue cycle management as well as the ability to use our electronic health records and practice management software as part of the bundled fee. These payments accounted for approximately 95% of our revenues during the six months ended June 30, 2015, and approximately 90% of our revenues during the six months ended June 30, 2014. This includes customers utilizing our proprietary product suite, PracticePro, as well as customers from acquisitions which we are servicing utilizing third-party software. Key drivers of our revenue include growth in the number of providers we are servicing, the number of patients served by those

providers, and collections by those providers. We also generate revenues from one-time setup fees we charge for implementing PracticePro; the sale of our stand-alone web-based EHR solution, ChartsPro; and from transcription, coding, indexing and other ancillary services. Our plan is to move customers acquired through acquisitions to our operating platform in order to increase efficiencies. Through the six months ended June 30, 2015, we have moved 90% of the acquired practices to our operating platform.

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Operating Expenses

Direct Operating Costs. Direct operating cost consists primarily of salaries and benefits related to personnel who provide services to our customers, claims processing costs, and other direct costs related to our services. Costs associated with the implementation of new customers are expensed as incurred. The reported amounts of direct operating costs do not include depreciation and amortization, which are broken out separately in the condensed consolidated statements of operations. Our Pakistan operations accounted for approximately 44% and 62% of direct operating costs for the six months ended June 30, 2015 and 2014, respectively. The Acquired Businesses represent 35% of the direct operating costs for the six months ended June 30, 2015. As we grow, we expect to achieve further economies of scale and to see our direct operating costs decrease as a percentage of revenue.

Selling and Marketing Expense. Selling and marketing expense consists primarily of compensation and benefits, commissions, travel and advertising expenses. These have been relatively low (under 3% of our revenue), as we have often found it to be more economical to grow by the acquisition of other medical billing companies than by engaging in directed marketing efforts to prospective customers. However, in the second half of 2015 we intend to increase our investment in marketing, business development and sales resources to expand our market share, building on our existing customer base.

Research and Development Expense. Research and development expense consists primarily of personnel-related costs and third-party contractor costs. Because we incorporate our technology into our services as soon as technological feasibility is established, such costs are currently expensed as incurred. We expect our research and development expense to increase in the future in absolute terms, but decrease as a percentage of revenue. Consistent with our growth plans, we are hiring developers, analysts and project managers in an effort to streamline our operational processes and further develop our products.

General and Administrative Expense. General and administrative expenses consists primarily of personnel-related expense for administrative employees, including compensation, benefits, travel, occupancy and insurance, software license fees and outside professional fees. Our Pakistan office accounted for approximately 29% and 45% of general and administrative expenses in the six months ended June 30, 2015 and 2014, respectively. The Acquired Businesses represent 26% of the general and administrative expense for the six months ended June 30, 2015.

Contingent Consideration. Contingent consideration represents the amount payable to the sellers of the Acquired Businesses based on the achievement of defined performance measures contained in the purchase agreements. Contingent consideration is re-measured at fair value at the end of each reporting period until the contingency is resolved, which is anticipated to occur during fourth quarter 2015. The Company recognizes changes in fair value in earnings each period. During the six months ended June 30, 2015, the Company recognized a change in contingent consideration of $916,000, including a $133,000 gain in the first quarter of 2015 resulting from CastleRock s forfeiture at 53,797 shares of the Company s common stock.

Depreciation and Amortization Expense. Depreciation expense is charged using the straight-line method over the estimated lives of the assets ranging from three to five years. Depreciation for computers is calculated over three years, while remaining assets (except leasehold improvements) are depreciated over five years. Leasehold improvements are depreciated over the lesser of the lease term or the economic life of those assets.

Amortization expense is charged on a straight-line basis over a period of three years for most intangible assets acquired in connection with acquisitions, including customer contracts and relationships and covenants not to compete, as well as purchased software. We concluded that three years reflects the period during which the economic

benefits are expected to be realized, and that primarily the straight-line method is appropriate as the majority of the cash flows are expected to be recognized ratably over that period without significant degradation. During the second quarter of 2015, the Company changed to an accelerated amortization method with respect to the customer relationships acquired in connection with the CastleRock acquisition.

The acquisitions of Omni, Practicare and CastleRock during 2014 added $9.2 million of intangibles, resulting in amortization which was $1.7 million higher for the first six months of 2015 compared to the first six months of 2014.

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Interest and Other Income (Expense). Interest expense consists primarily of interest costs related to our working capital line of credit, term loans and notes issued in connection with acquisitions, offset by interest income and late fees from customers. Our other income (expense) results primarily from foreign currency transaction gains (losses), and amounted to $77,000 of other income and $184,000 of other expense in the first six months of 2015 and 2014, respectively.

Income Tax. In preparing our financial statements, we estimate income taxes in each of the jurisdictions in which we operate. This process involves estimating actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and financial reporting purposes. These differences result in deferred income tax assets and liabilities. Although the Company is forecasting a return to profitability, it incurred cumulative losses which make realization of a deferred tax asset difficult to support in accordance with ASC 740. Accordingly, a valuation allowance was recorded against all deferred tax assets as of June 30, 2015 and December 31, 2014.

Critical Accounting Policies and Estimates

We prepare our financial statements in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expense and related disclosures. We base our estimates, assumptions and judgments on historical experience, current trends and various other factors that we believe to be reasonable under the circumstances. On a regular basis, we review our accounting policies, estimates, assumptions and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

We believe that the accounting policies are those policies that involve the greatest degree of complexity and exercise of judgment by our management. The methods, estimates and judgments that we use in applying our accounting policies have a significant impact on our results of operations. For a more detailed discussion of our critical accounting policies, please refer to our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 31, 2015 and incorporated by reference in this prospectus.

As a result of the 2014 acquisitions, the Company adjusts the contingent consideration liability at the end of each reporting period based on fair value inputs representing both changes in the fair value of the Company s common stock and the probability of an adjustment to the purchase price. The fair value of the contingent consideration is driven by the price of the Company s common stock on the NASDAQ Capital Market, an estimate of revenue to be recognized by the Company from the Acquired Businesses during the first twelve months after acquisition compared to the trailing twelve months revenue from customers in good standing as of March 31, 2014 shown in the Company s prospectus dated July 22, 2014, the passage of time and the associated discount rate. If revenue from an acquisition exceeds the trailing revenue shown in the Company s prospectus, or the Company s stock price exceeds the price on July 28, 2014, the date of the acquisitions, the consideration could exceed the original estimated contingent consideration. Discount rates are estimated by using government bond yields.

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Results of Operations

The following table sets forth our consolidated results of operations as a percentage of total revenue for the periods shown.

	Year ended December 31,		Six months ended June 30,	
	2014	2013	2015	2014
Net revenue	100.0 %	100.0 %	100.0 %	100.0 %
Operating expenses:				
Direct operating costs	58.1 %	40.8 %	53.4 %	43.7 %
Selling and marketing	1.4 %	2.4 %	1.8 %	2.2 %
General and administrative	54.3 %	45.3 %	52.2 %	52.7 %
Research and development	2.9 %	3.7 %	2.7 %	4.7 %
Change in contingent consideration	(9.9)%	0.0 %	(7.6)%	0.0 %
Depreciation and amortization	15.3 %	9.0 %	19.5 %	10.4 %
Total operating expenses	122.1 %	101.2 %	122.0 %	113.7 %
Operating loss	(22.1)%	(1.2)%	(22.0)%	(13.7)%
Interest expense net	0.9 %	1.3 %	0.6 %	1.9 %
Other income net	(0.7)%	2.2 %	0.9 %	(3.5)%
Loss before income taxes	(23.7)%	(0.3)%	(21.7)%	(19.1)%
Income tax provision (benefit)	1.0 %	1.4 %	0.1 %	(6.1)%
Net loss	(24.7)%	(1.7)%	(21.8)%	(13.0)%

Comparison of 2014 and 2013

	Year ended December 31,		Change	
	2014	2013	Amount	Percent
Revenues	$ 18,303,264	$ 10,472,751	$ 7,830,513	75 %

Revenue. Total revenue of $18.3 million for the year ended December 31, 2014 increased by $7.8 million or 75% from revenue of $10.5 million for the year ended December 31, 2013. Total revenue for the year ended December 31, 2014 included $8.2 million of revenue from customers we acquired on July 28, 2014. The customers from the Acquired Businesses were the primary source of new revenue during the year ended December 31, 2014.

	Year ended December 31,		Change	
	2014	2013	Amount	Percent
Direct operating costs	$ 10,636,851	$ 4,272,979	$ 6,363,872	149 %
Selling and marketing	253,280	248,975	4,305	2 %
General and administrative	9,942,600	4,743,673	5,198,927	110 %
Research and development	531,676	386,109	145,567	38 %
Change in contingent consideration	(1,811,362)		(1,811,362)	N/A
Depreciation	260,527	233,431	27,096	12 %
Amortization	2,530,841	715,100	1,815,741	254 %

Total operating expenses	$22,344,413	$10,600,267	$11,744,146	111 %

Direct Operating Costs. Direct operating costs of $10.6 million for the year ended December 31, 2014, increased by $6.4 million or 149% from direct operating costs of $4.3 million for the year ended December 31, 2013. Salary cost in the U.S. increased by $4.3 million or 372% for the year ended December 31, 2014 due to the addition of 152 U.S. employees who are classified in direct operating costs, primarily from the Acquired Businesses. Salary cost included $164,000 of one time bonuses at the time of the IPO, as well as $253,000 of severance for employees whose positions were eliminated. Subcontractor costs were $923,000 for the year ended December 31, 2014, compared to $0 for the year ended December 31, 2013. These subcontractors were performing services for the Acquired Businesses before their acquisition, and were phased out in the first quarter of 2015.

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Salary and other direct operating costs in Pakistan increased by $1.2 million or 51% for the year ended December 31, 2014 as a result of the addition of approximately 900 employees in Pakistan who were hired primarily to service customers of the Acquired Businesses to eliminate future utilization of subcontractors and reduce the dependence on U.S.-based employees by at least 70%.

Selling and Marketing Expense. Selling and marketing expense of $253,000 for the year ended December 31, 2014 increased by $4,300 or 2% from selling and marketing expense of $249,000 for the year ended December 31, 2013, respectively, as the Company focused its efforts on servicing the new customers from the Acquired Businesses.

General and Administrative Expense. General and administrative expense of $9.9 million, increased by $5.2 million or 110% from general and administrative expense of $4.7 million for the year ended December 31, 2013, with additional expenses resulting primarily from the Acquired Businesses, including payroll, facilities, and costs of third-party software, etc. Salary expense in the U.S. increased by $1.7 million or 157% for the year ended December 31, 2014 compared to the year ended December 31, 2013. Salary expense in Pakistan increased by $462,000 or 56% for the year ended December 31, 2014, as a result of the addition of approximately 100 administrative and support employees in Pakistan. Facilities costs increased by $2.0 million or 668% for the year ended December 31, 2014, primarily due to the facilities cost of the Acquired Businesses. Legal and professional fees increased by $1.0 million or 193% for the year ended December 31, 2014, including $600,000 of acquisition costs and additional costs of being a public company during the year ended December 31, 2014.

Research and Development Expense. Research and development expense of $532,000 for the year ended December 31, 2014 increased by $146,000 or 38% from research and development expense of $386,000, as a result of adding additional technical employees in Pakistan and $32,000 of one-time bonuses at the time of the IPO. Research and development costs consist primarily of salaries and benefits related to personnel related costs. All such costs are expensed as incurred.

Contingent Consideration. The change of $1.8 million relates to the change in the fair value of the contingent consideration. This gain resulted from a decrease in the price of the Company s common stock and a change in the probability of the payment based on the forecasted revenues of the Acquired Businesses.

Depreciation. Depreciation of $260,000 for the year ended December 31, 2014, increased by $27,000 or 12% from depreciation of $233,000 for the year ended December 31, 2013.

Amortization Expense. Amortization expense of $2.5 million for the year ended December 31, 2014, increased by $1.8 million or 254% from amortization expense of $715,000 for the year ended December 31, 2013. This increase resulted from the intangible assets acquired in connection with our acquisition of Metro Medical on June 30, 2013 and our acquisitions of Omni, Practicare and CastleRock on July 28, 2014, which are primarily being amortized over three years. The Acquired Businesses included $148,000 of acquired backlog, an intangible asset resulting from the treatment of revenue and expenses from July 28 through July 31, 2014, which was amortized in full by September 30, 2014, because virtually all the cash was received or disbursed over the first 60 days from the date of the acquisition.

	Year ended December 31,		Change	
	2014	2013	Amount	Percent
Interest income	$ 26,605	$ 23,929	$ 2,676	11 %
Interest expense	(183,466)	(160,065)	(23,401)	15 %
Other (expense) income net	(134,715)	230,146	(364,861)	(159)%

Income tax provision	176,525	144,490	32,035	22 %

Interest Income. Interest income of $27,000 for the year ended December 31, 2014, increased by $2,700 or 11% from interest income of $24,000 for the year ended December 31, 2013, due to increased late payment fees from customers.

Interest Expense. Interest expense of $183,000 for the year ended December 31, 2014, increased by $23,000 or 15% from interest expense of $160,000 for the year ended December 31, 2013. This increase was

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due to interest on borrowings under our line of credit, convertible note, the note from our CEO, as well as the note payable from the purchase of Metro Medical on June 30, 2013.

Other (Expense) Income net. Other expense net was $135,000 for the year ended December 31, 2014 compared to other income net of $230,000 for the year ended December 31, 2013. An increase in the exchange rate of Pakistan rupees per U.S. dollar by 9% from January 1, 2013 to December 31, 2013 was followed by a decline of 5% from January 1, 2014 to December 31, 2014. The increase in exchange rates in 2013 caused an exchange gain of $200,000, and the decline in exchange rates in 2014 resulted in an exchange loss of $122,000.

Income Tax Provision. There was a $176,000 provision for income taxes for the year ended December 31, 2014, an increase of $32,000 or 22% compared to $144,000 for the year ended December 31, 2013. The pre-tax loss increased from $34,000 for the year ended December 31, 2013 to $4.3 million for the year ended December 31, 2014. Although the Company is forecasting a return to profitability, it incurred three years of cumulative losses which make realization of a deferred tax asset difficult to support in accordance with ASC 740. Accordingly, a valuation allowance has been recorded against all deferred tax assets of $1.9 million at December 31, 2014. At December 31, 2013, there was a valuation allowance against the State deferred tax assets of $82,000. The Company s effective tax rate is (4.1%) and our statutory rate is 34%. The primary reason for this difference pertains to the net operating loss incurred in the current year whereby the Company recorded a full valuation allowance on its net deferred tax assets.

The Company will maintain a full valuation allowance on deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances. While our plan is to be profitable and begin utilizing these deferred tax assets within the next 12 months, there is not sufficient evidence to allow us to avoid the full valuation allowance in 2014. Release of the valuation allowance would result in the recognition of certain deferred tax assets and an income tax benefit for the period the release is recorded. However, the exact timing and amount of the valuation allowance release are subject to change on the basis of the timing and level of profitability that we are able to actually achieve.

As of December 31, 2014, the Company has state NOL carry forwards of approximately $4.1 million which will expire at various dates from 2032 to 2034. The Company has a Federal NOL carry forward of approximately $3.6 million which will expire in 2034.

Comparison of the six months ended June 30, 2015 and 2014

	Six months ended June 30,		Change	
	2015	2014	Amount	Percent
Revenues	$ 12,104,063	$ 5,185,679	$ 6,918,384	133 %

Revenue. Total revenue of $12.1 million for the six months ended June 30, 2015 increased by $6.9 million or 133% from revenue of $5.2 million for the six months ended June 30, 2014. Total revenue for the six months ended June 30, 2015 included $7.3 million of revenue from customers we acquired on July 28, 2014. The customers from the Acquired Businesses were the primary source of new revenue during the six months ended June 30, 2015.

	Six months ended June 30,		Change	
	2015	2014	Amount	Percent

Direct operating costs	$ 6,459,678	$ 2,264,326	$ 4,195,352	185 %
Selling and marketing	217,433	114,858	102,575	89 %
General and administrative	6,319,384	2,733,359	3,586,025	131 %
Research and development	330,175	242,541	87,634	36 %
Change in contingent consideration	(915,815)		(915,815)	
Depreciation	198,600	106,483	92,117	87 %
Amortization	2,163,324	434,638	1,728,686	398 %
Total operating expenses	$ 14,772,779	$ 5,896,205	$ 8,876,574	151 %

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Direct Operating Costs. Direct operating costs of $6.5 million for the six months ended June 30, 2015, increased by $4.2 million or 185% from direct operating costs of $2.3 million for the six months ended June 30, 2014. Salary cost in the U.S. increased by $1.9 million or 361% for the six months ended June 30, 2015 due to the addition of 45 U.S. employees who are classified in direct operating costs, primarily from the Acquired Businesses.

Salary cost in Pakistan increased by $1.2 million or 116% for the six months ended June 30, 2015 as a result of the addition of approximately 690 employees in Pakistan who were hired primarily to service customers of the Acquired Businesses. As of March 31, 2015, we eliminated utilization of subcontractors from the Acquired Businesses and reduced the dependence on U.S.-based employees by 68% since the date of acquisition.

Selling and Marketing Expense. Selling and marketing expense of $217,000 for the six months ended June 30, 2015 increased by $103,000 or 89% from selling and marketing expense of $115,000 for the six months ended June 30, 2014. The Company initiated additional sales efforts which resulted in higher selling and marketing expense for the six months ended June 30, 2015.

General and Administrative Expense. General and administrative expense of $6.3 million for the six months ended June 30, 2015 increased by $3.6 million or 131% from general and administrative expense of $2.7 million for the six months ended June 30, 2014, with additional expenses resulting primarily from the Acquired Businesses, including payroll, facilities, and costs of third-party software. Salary expense in the U.S. increased by $1.4 million or 273% for the six months ended June 30, 2015 due to the acquisition of the Acquired Businesses. Salary expense in Pakistan increased by $331,000 or 59% for the six months ended June 30, 2015 as a result of the addition of 104 administrative employees in Pakistan during the periods. Facilities and other costs increased by $1.4 million or 124% for the six months ended June 30, 2015, primarily due to the addition of the Acquired Businesses.

Research and Development Expense. Research and development expense of $330,000 for the six months ended June 30, 2015 increased by $88,000 or 36% from research and development expense of $242,000 for the six months ended June 30, 2014, as a result of adding additional technical employees in Pakistan. Research and development costs consist primarily of salaries and benefits related to personnel related costs. All such costs are expensed as incurred.

Contingent Consideration. The change in the contingent consideration of $916,000 for the six months ended June 30, 2015 includes both a $783,000 decrease in the amount of the contingent consideration recorded as a liability and a gain of $133,000 related to CastleRock s forfeiture of 53,797 shares of the Company s common stock. The decrease in the liability primarily resulted from a decrease in the expected revenue that CastleRock will achieve and a decrease in the price of the Company s common stock from December 31, 2014 to June 30, 2015.

Depreciation. Depreciation of $199,000 for the six months ended June 30, 2015 increased by $92,000 or 87% from depreciation of $106,000 for the six months ended June 30, 2014, as a result of the Company purchasing additional fixed assets.

Amortization Expense. Amortization expense of $2.2 million for the six months ended June 30, 2015 increased by $1.7 million or 398% from amortization expense of $435,000 for the six months ended June 30, 2014. This increase resulted from intangible assets arising from our acquisitions of Omni, Practicare and CastleRock on July 28, 2014, which are primarily being amortized over three years. Beginning in the second quarter of 2015, the Company changed to an accelerated amortization method for the contracts and relationships acquired in connection with the CastleRock acquisition.

Change

	Six months ended June 30,			
	2015	2014	Amount	Percent
Interest income	$ 13,986	$ 7,105	$ 6,881	97 %
Interest expense	(85,872)	(104,161)	18,289	(18)%
Other income (expense) net	103,359	(182,154)	285,513	(157)%
Income tax provision (benefit)	16,045	(316,663)	332,708	(105)%

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Interest income. Interest income of $14,000 for the six months ended June 30, 2015 increased by $7,000 or 97% from interest income of $7,000 for the six months ended June 30, 2014, due to increased late payment fees from customers.

Interest expense. Interest expense of $86,000 for the six months ended June 30, 2015 decreased by $18,000 or 18% from interest expense of $104,000 for the six months ended June 30, 2014, primarily as a result of $500,000 of debt that was converted into common stock in July, 2014 and a reduction in the amount outstanding on the note payable to the CEO.

Other income (expense) net. Other income net was $103,000 for the six months ended June 30, 2015 compared to other expense net of $182,000 for the six months ended June 30, 2014. An increase in the exchange rate of Pakistan rupees per U.S. dollar by 1.6% from July 1, 2014 to December 31, 2014 followed by an increase of 0.76% from January 1, 2015 to June 30, 2015 caused an exchange gain of $77,000 for the six months ended June 30, 2015. This compared to an exchange loss of $184,000 for the six months ended June 30, 2014.

Income tax provision (benefit). There was a $16,100 provision for income taxes for the six months ended June 30, 2015 compared to $317,000 for the six months ended June 30, 2014. The pre-tax loss increased from $989,000 for the six months ended June 30, 2014 to $2.6 million for the six months ended June 30, 2015, respectively. Although the Company is forecasting a return to profitability, it incurred cumulative losses which make realization of a deferred tax asset difficult to support in accordance with ASC 740. Accordingly, a valuation allowance was recorded against all deferred tax assets as of December 31, 2014, and no tax benefit has been recorded against the pre-tax losses recorded in 2015.

Liquidity and Capital Resources

The following table summarizes our cash flows for the periods presented.

	Year ended December 31,		Six months ended June 30,	
	2014	2013	2015	2014
Net cash (used in) provided by operating activities	$(2,700,189)	$928,968	$(1,452,725)	$101,863
Net cash used in investing activities	(12,652,830)	(706,291)	(261,303)	(103,847)
Net cash (used in) provided by financing activities	15,878,819	33,002	1,298,820	(446,788)
Effect of exchange rate changes on cash	24,916	(26,058)	(1,420)	(16,651)
Net decrease in cash	550,716	229,621	(416,628)	(465,423)

We completed our initial public offering in July 2014, which provided us with approximately $4.3 million in additional cash after giving effect to the underwriter s discount, offering and acquisition expenses, and cash used to fund the purchase of the Acquired Businesses. In addition, we increased capital expenditures to $1.1 million during the year ended December 31, 2014 to increase the capacity of our facilities in Pakistan and increased expenses in Pakistan by $2.1 million during the year ended December 31, 2014 as we grew our team in Pakistan by approximately 1,000 employees, with the goal of reducing domestic expenses and spending on subcontractors from the Acquired Businesses as planned.

On September 2, 2015 the Company replaced its $3.0 million line of credit from TD Bank with a $4.0 million four-year term loan plus a $2.0 million three-year revolving line of credit, both from Opus Bank. The loans from Opus Bank bear an interest rate of Wall Street Journal prime rate plus 1.75%, with a minimum of 5.00%.

With the cost reductions we have achieved from the Acquired Businesses and our line of credit from Opus Bank, we believe our cash flows from operations will be sufficient to meet our working capital and capital expenditures requirements for at least the next 12 months. As of September 30, 2015, the Company had borrowings of $2 million on the line of credit and had a cash balance of approximately $1.6 million.

The Company generated positive cash flows from operations during each of the years 2008 2013, including $929,000 of positive cash flow from operations in 2013, although there were negative cash flows from operations of $2.7 million in 2014. Due to operating losses and a working capital deficiency in 2014 and 2015, the Company relies on the line of credit. As of the date of our last audited financial statements, the line

of credit was due to renew in November 2015, which was less than a year from the time the audit was completed in March 2015. Therefore, our independent registered public accounting firm included an explanatory paragraph that indicated there is substantial doubt about our ability to continue as a going concern in its audit report on our 2014 financial statements.

Operating Activities

Cash used in operating activities was $2.7 million during the year ended December 31, 2014, compared to $929,000 cash provided by operating activities during the year ended December 31, 2013. The net loss increased by $4.5 million, of which $1.8 million was additional depreciation and amortization, $31,000 was additional provision for taxes and $259,000 was stock-based compensation, offset by a gain of $1.8 million from the change in the contingent consideration liability. Cash operating expenses grew $3.9 million faster than revenue during the year ended December 31, 2014. The direct expenses from the Acquired Businesses were approximately equal to the revenue from these businesses, but due to the growth of the team in Pakistan, there was approximately $2.1 million of incremental expenses in 2014 which will offset costs in the United States and subcontractors in future years. In addition, there was $863,000 of additional costs of being a public company, including audit fees, compensation for outside directors and increased premiums for liability insurance, transaction costs of $785,000 and $483,000 of one time bonuses to employees with at least one year of service at the time of the IPO.

Cash used in operating activities was $1.4 million during the six months ended June 30, 2015, compared to $102,000 of cash provided by operating activities during the six months ended June 30, 2014. The net loss increased by $2.0 million during the six months ended June 30, 2015, of which $1.8 million was additional depreciation and amortization, $333,000 was a decrease in the tax benefit, and $324,000 was stock-based compensation, offset by a non-cash gain of $916,000 from the change in the contingent consideration liability and the forfeiture of shares by CastleRock and an increase in non-cash other income of $286,000. Cash operating expenses grew $729,000 faster than revenue during the six months ended June 30, 2015, due to the acquisition of the Acquired Businesses.

Accounts receivable decreased by $302,000 during the six months ended June 30, 2015, compared with a decrease in accounts receivable of $185,000 for the six months ended June 30, 2014, and accounts payable, accrued compensation and accrued expenses decreased by $802,000 during the six months ended June 30, 2015, compared with an increase of $209,000 for the six months ended June 30, 2014. The decrease in accounts payable and accrued expenses was primarily due to the payment of existing vendor invoices using the increased credit line with TD Bank. Other current assets and prepaid expenses decreased by $81,000 during the six months ended June 30, 2015, compared with an increase of $60,000 in the six months ended June 30, 2014, primarily due to the purchase of insurance with a one-year term. The settlement with CastleRock required a payment of $110,000 which was accrued at December 31, 2014 and paid during 2015.

Investing Activities

Cash used in investing activities during the year ended December 31, 2014 was $12.7 million, an increase of $11.9 million compared to $706,000 during the year ended December 31, 2013. We spent $11.5 million in cash for the purchase of the Acquired Businesses, compared to $275,000 for the initial cash portion of the purchase of Metro Medical during the year ended December 31, 2013. Capital expenditures during the year ended December 31, 2014 were $1.1 million, an increase of $830,000 compared to $286,000 during the year ended December 31, 2013, primarily to increase the capacity of our Pakistan facilities.

Cash used in investing activities during the six months ended June 30, 2015 was $261,000, an increase of $157,000 compared to $104,000, during the six months ended June 30, 2014. Capital expenditures during the six months ended June 30, 2015 were $202,000, an increase of $100,000 compared to $102,000, during the six months ended June 30, 2014. The increase was primarily from increasing the capacity of our Pakistan facilities. During the six months ended June 30, 2015 the Company entered into a revenue sharing arrangement with SilverTree Health (SilverTree) pursuant to which the Company agreed to service SilverTree s customers while paying SilverTree a percentage of the revenue collected over the next three years. An initial amount of $59,000 was paid upon the signing of this arrangement.

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Financing Activities

Cash provided by financing activities during the year ended December 31, 2014 was $15.9 million, compared to $33,000 in the year ended December 31, 2013. During the year ended December 31, 2014, we completed our IPO, generating net cash of $4.3 million after paying offering expenses, acquisition expenses and paying the cash portion of the purchase price for the Acquired Businesses. We repaid $1.2 million of notes payable from acquisitions made in prior years as well as $266,000 borrowed from our CEO to fund IPO expenses. Average monthly borrowings from our revolving line of credit with TD Bank were $896,000 in the year ended December 31, 2014 compared to $427,000 in the year ended December 31, 2013.

Cash provided by financing activities during the six months ended June 30, 2015 was $1.3 million, compared to cash used in financing activities by $447,000 in the six months ended June 30, 2014. Average monthly borrowings from our $3.0 million revolving line of credit with TD Bank were $2.2 million for the six months ended June 30, 2015 compared to $1.1 million for the six months ended June 30, 2014.

Subsequent to June 30, 2015 and prior to closing our financing with Opus Bank, we borrowed $410,000 from our CEO, Mahmud Haq, under our existing loan arrangement. The amount outstanding under that loan arrangement at the time the Opus Bank loan closed, $880,000, was paid in full. Our line of credit with TD Bank was also paid in full and closed at the same time.

Contractual Obligations and Commitments

We have contractual obligations under our line of credit, notes issued in connection with our pre-2014 acquisitions and contingent consideration in connection with the Acquired Businesses. We also maintain operating leases for property and certain office equipment.

	Payments Due by Period			
As of June 30, 2015	Total	Current Year	1 3 Years	More than 3 Years
Borrowings under lines of credit	$ 3,000,000	$ 3,000,000	$	$
Notes payable related party[1]	470,089		470,089	
Notes payable other[1]	87,484	11,240	60,365	15,879
Operating lease obligations related party[2]	198,092	63,842	134,250	
Operating lease obligations other[2]	341,889	201,611	140,278	
Acquisition promissory notes[1]	106,816	106,816		
Total Contractual Obligations	$ 4,204,370	$ 3,383,509	$ 804,982	$ 15,879

(1) The interest rates for the related party note, other notes payable and promissory notes were 7.0%, 5.0% and 5.0%, respectively, as of June 30, 2015 and the contractual interest expenses are not included in the table.

(2) Represents minimum rent payments for operating leases under their current terms, excluding those which are cancellable with 90 days notice or less.

Off-Balance Sheet Arrangements

As of December 31, 2013, December 31, 2014 and June 30, 2015 we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or

special-purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Other than our operating leases for office space, computer equipment and other property, we do not engage in off-balance sheet financing arrangements.

JOBS Act

On April 5, 2012, the JOBS Act was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an emerging growth company we are irrevocably electing not to take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies.

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However, as an emerging growth company, we rely on exemptions available under the JOBS Act under which we will not be required to, among other things, (i) provide an auditor s attestation report on our system of internal controls over financial reporting pursuant to Section 404, (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act, (iii) comply with any requirement that may be adopted by the PCAOB regarding mandatory audit firm rotation or a supplement to the auditor s report providing additional information about the audit and the financial statements (auditor discussion and analysis), and (iv) disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the CEO s compensation to median employee compensation. These exemptions will apply for a period of five years from our IPO on July 23, 2014 or until we are no longer an emerging growth company, whichever is earlier.

Quantitative and Qualitative Disclosures about Market Risk

Foreign currency exchange risk. Our results of operations and cash flows are subject to fluctuations due to changes in the Pakistan rupee. None of our consolidated revenues are earned outside the United States. In 2013, 2014 and the six months ended June 30, 2015, 48%, 32% and 33%, respectively, of our total expenses occurred in our subsidiary in Pakistan and were incurred in Pakistan rupees. Fluctuations in currency exchange rates could harm our business in the future. Because a significant portion of our expenses is incurred outside the United States but our revenue is denominated in U.S. dollars, a 10% adverse change in foreign exchange rates would have a 4% adverse impact on our costs, which would cause our margins to differ materially from expectations.

As our scale grows, our risks associated with fluctuation in currency rates will become greater, and we will continue to reassess our approach to managing this risk. To date, we have not entered into any foreign currency hedging contracts, and we have no immediate plans to do so in the near future.

Liquidity risk. As of December 31, 2014 we held approximately $563,000 of cash in a bank in Pakistan and we held approximately $26,000 of cash in this bank on June 30, 2015. The banking system in Pakistan does not provide deposit insurance coverage. We generally wire funds to Pakistan from the U.S. near the end of each month to be used for payroll and other operating expenses in the following month, with the payroll payments being made by our Pakistani subsidiary in the first week of such month.

We have a transfer pricing agreement with our Pakistani subsidiary, and our Pakistani subsidiary is required under applicable law to generate an arms-length profit. Accordingly, monthly payments due from us to our Pakistani subsidiary for the services it provides to us are in an amount sufficient for it to generate a profit. However, our actual payments to our Pakistani subsidiary for these services are in a lesser amount, which covers just the actual costs incurred by our subsidiary. The excess amount owed by us but not paid to our Pakistani subsidiary is treated as a dividend from the Pakistani subsidiary to us. Accordingly, we record a current tax liability on our financial statements to cover U.S. taxes on that dividend. We plan to repatriate all earnings and profits generated by our Pakistani subsidiary. Therefore, we recognize a deferred tax liability on the cumulative balance of earnings and profits, as reduced by the amount treated as a dividend, at the federal tax rate.

In 2015, MTBC started a subsidiary in Poland, MTBC-Europe Sp. z.o.o. Beginning in June 2015, MTBC began funding the expenses of this subsidiary, which serves as a partial back-up facility to the Pakistan operations and processes work for customers of one of the Acquired Businesses. Expenses are funded as incurred and accordingly, cash balances do not exceed $20,000 at any time. The Company is in process of drafting a transfer pricing agreement with the Poland subsidiary.

Impact of inflation. We do not believe that inflation has had a material effect on our business, financial condition or results of operations. To date, inflationary pressures experienced by our operations in Pakistan, which are funded by revenues we generate in the U.S., have been offset by declines in the Pakistan rupee to U.S. dollar exchange rate. However, if our costs were to become subject to significant inflationary pressures, we might not be able to offset these higher costs through price increases. Our inability or failure to do so could harm our business, operating results and financial condition.

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Related Party Transactions

We have engaged in a number of related party transactions. See the notes to our consolidated financial statements for the years ended December 31, 2013 and 2014, as well as our unaudited condensed consolidated financial statements for the six months ended June 30, 2015, as well as Certain Relationships and Related Party Transactions in this prospectus.

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BUSINESS

MTBC is a healthcare information technology company that provides a fully integrated suite of proprietary web-based solutions, together with related business services, to healthcare providers practicing in ambulatory care settings. Our integrated Software-as-a-Service (or SaaS) platform helps our customers increase revenues, streamline workflows and make better business and clinical decisions, while reducing administrative burdens and operating costs. In addition to our experienced team in the United States, we currently employ a highly educated workforce of approximately 1,800 employees in Pakistan, where we believe labor costs are approximately one-half the cost of comparable India-based employees and one-tenth the cost of comparable U.S. employees, thus enabling us to deliver our solutions at competitive prices.

Our flagship offering, PracticePro, empowers healthcare practices with the core software and business services they need to address industry challenges, including the Patient Protection and Affordable Care Act (Affordable Care Act), on one unified SaaS platform. We deliver powerful, integrated and easy-to-use big practice solutions to small and medium practices, which enable them to efficiently operate their businesses, manage clinical workflows and receive timely payment for their services. PracticePro includes:

- Mobile Health (or mHealth) solutions, including smartphone applications that assist patients and healthcare providers in the provision of healthcare services;
- Electronic health records (or EHR), which is easy to use, highly ranked, and allows our customers to reduce paperwork and qualify for government incentives;
- Practice management solutions and related tools, which facilitate the day-to-day operation of a medical practice; and
- Revenue cycle management (or RCM) services, which include end-to-end medical billing, analytics, and related services.

Several emerging trends, such as the shift to quality-based reimbursement, the emerging focus on improving the coordination of care, and the increased reporting requirements of both government entities and commercial insurers, are creating incentives for healthcare providers to implement technologies that help them meet the needs of the changing healthcare environment. Adoption of EHR solutions is accelerating as more providers realize the benefits of using technology solutions. Government initiatives and legislation have provided additional financial incentives and implementation support for healthcare providers to adopt EHR solutions. We believe that with our fully integrated, end-to-end solution and cost-effective offshore model, we are competitively positioned to penetrate the ambulatory healthcare IT market and to take advantage of these trends.

We believe that our ability to offer an integrated suite of SaaS solutions at attractive prices provides us with a significant competitive advantage, particularly in comparison to regional RCM companies who generally offer a limited range of services. For instance, in addition to our core offerings of practice management, EHR and RCM software, we also provide integrated clinical decision support tools, insurance eligibility verification, patient engagement and education materials as part of our base set of solutions, which our customers can utilize at no

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additional cost. We also offer coding, consulting and transcription as a separate set of billed services. We believe that our broad range of solutions increases our ability to attract and retain customers over the long term. For example, customers utilizing our practice management and RCM services together with our EHR solution renew their contracts with us at higher rates than customers who do not utilize our EHR solution.

As of June 30, 2015, we served 817 practices representing approximately 1,760 providers (which we define as physicians, nurses, nurse practitioners, physician assistants and other clinical staff that render bills for their services), practicing in approximately 60 specialties and subspecialties, in 43 states. Approximately 98% of the practices we serve consist of one to ten providers, with the majority of the practices we serve being primary care providers. However, our solutions are scalable and are appropriate for larger healthcare practices across a wide range of specialty areas. In fact, our largest customer is a hospital-based group with approximately 120 providers. We have no significant customer concentration and no individual customer accounts for more than five percent of our revenue.

Our growth strategy involves several approaches: acquiring or partnering with smaller RCM companies and then migrating the customers of those companies to our solutions, as well as strategic partnerships with other industry participants, including electronic health records vendors and other vendors that lack an integrated solution and integrating our solutions with their offerings. The RCM service industry is highly fragmented, with many local and regional RCM companies serving small medical practices. We believe that the industry is ripe for consolidation and that we can achieve significant growth through acquisitions. We estimate that there are more than 1,500 companies in the United States providing RCM services and that no one company has more than a 5% share of the market. We further believe that it is becoming increasingly difficult for traditional RCM companies to meet the growing technology and business service needs of healthcare providers without a significant investment in information technology infrastructure

While we offer our own electronic health records, our strategy includes providing integrated offerings utilizing third party electronic health records while offering customers MTBC s revenue cycle management, practice management and mobile health capabilities.

We believe we will also be able to accelerate organic growth by partnering with industry participants, utilizing them as channel partners to offer integrated solutions to their customers. We have recently entered into arrangements with industry participants from which we began to derive revenue starting in mid-2014, including emerging EHR providers and other healthcare vendors that lack a full suite of solutions. We are in the midst of developing application interfaces with two EHR systems.

Lead-generating relationships with software vendors

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Since 2006, we have acquired eleven RCM companies and entered into agreements with four additional RCM companies under which we service all of their customers. On July 28, 2014, concurrently with the consummation of our IPO, we acquired Omni, Practicare and CastleRock, through a series of asset purchase agreements. In aggregate, these companies served approximately 990 providers in 510 practices, representing approximately $20 million of revenue. In the six months ended June 30, 2015, 75% of our revenues were generated from customers who were obtained through strategic transactions with regional RCM companies.

Structure of Acquisitions

Although each acquisition agreement contains different terms, every acquisition we have completed in the past was an asset purchase, not an acquisition of the seller s company. We will generally acquire the customer contracts, intangible assets and fixed assets of each acquired business, but not their working capital or debt.

At times we will enter into short term employee, office space and equipment lease agreements with the seller. These arrangements provide for us to utilize certain personnel as well as space and equipment located at the seller s premises for a negotiated period of time.

Revenue Share Arrangements

For smaller RCM companies (i.e., generally less than $3 million in revenue), its more advantageous to execute a revenue sharing arrangement rather than acquiring the business. In these situations, we take over providing services to customers, and pay the RCM company a percentage of the revenue we collect. There may be a small referral fee paid up front (typically around 5% of the prior year s revenue), in return for which we ask the seller to continue paying their staff and facilities cost for a month of transition. We then pay a percentage of our monthly collections (typically 30%) for 36 months, and possibly a final payment of 5% of the last year s revenue from clients we transition to our platform.

We may hire one or two employees from the seller, but we endeavor to transition the majority of operational responsibilities to our team offshore during the first 30 to 60 days.

For an RCM company which is not profitable or is marginally profitable, this arrangement allows the seller to generate profits from their customer base for several years. The upfront cost to us is minimal.

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Revenue Share relationship with other RCM vendors

Industry Overview

The American healthcare industry is in a state of transformation. According to a report issued by the Institute of Medicine in 2012, approximately $2.6 trillion was spent in the United States on healthcare in 2011, of which $750 billion was wasteful spending that does not improve the quality of care that patients receive. An April 2012 study cited by Health Affairs, a health policy journal, estimates that between $476 billion and $992 billion of healthcare spending in 2011 was wasted, with a third of that waste being funded by Medicare and Medicaid programs. Healthcare spending in the United States is widely viewed as growing at an unsustainable rate, and policymakers and payers are continuously seeking ways to reduce that growth.

Presently, there are more than 500,000 U.S. physicians practicing in ambulatory care settings and it is estimated that approximately 70% of these providers are practicing in groups with 10 or fewer physicians. For decades, the U.S. healthcare delivery system has been characterized by a vast cottage industry of small, independent practices functioning in a fee-for-service environment. However, as a result of both incentives and burdensome requirements placed on healthcare providers by government officials and commercial payers in response to increased healthcare spending and related waste, healthcare providers are beginning to consolidate their practices, better coordinate their services and reduce costs associated with redundancy.

The market for our products and services is competitive and characterized by rapidly evolving technology and product standards, user needs and the frequent introduction of new products and services. Some of our competitors are more established than us, benefit from greater name recognition and have substantially greater financial, technical, and marketing resources than us.

We compete with other providers of both integrated and stand-alone practice management, EHR and RCM solutions, including providers who utilize a Web-based platform and providers of locally installed software systems. Our competitors include larger healthcare IT companies such as athenahealth, Allscripts Healthcare Solutions, eClinical Works, Practice Fusion, Kareo, Amazing Charts, and Greenway Medical Technologies. We also compete with regional RCM companies.

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Our Strategy

Our objective is to become the leading provider of integrated, end-to-end software and business service solutions to healthcare providers practicing in an ambulatory setting. To achieve this objective, we employ the following strategies:

- Provide comprehensive practice management, electronic health records, revenue cycle management and mobile health solutions to small and medium size healthcare practices.
- Provide exceptional customer service.
- Leverage significant cost advantages provided by our skilled offshore workforce.
- Pursue strategic acquisitions.
- Partner with other industry players, such as EHR and RCM vendors.
- Increase sales and marketing efforts.
- Continuously develop new features and service offerings to meet the needs of our customers.
- Leverage strategic partnerships.

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Cost-Effective Workforce

The Pakistan operations allow MTBC to realize significant reductions in expenses of acquired companies, at approximately one tenth the cost of U.S. employees and half the cost of India-based labor.

Customer Support

We offer a variety of customer support options to our healthcare providers. We devote over 130 employees to support our customers and their patients while leveraging our offshore team to provide billing and PHR support to patients, and account management and around the clock technical support services to our customers. Every MTBC account has an assigned manager who is responsible for maintaining our relationship with that provider and its staff. Through our web-based platform, email, phone, video and in-person meetings, we are in regular contact with our customers with the goal of proactively managing their practice management needs.

We offer providers, at no additional cost, a technical support hotline which is available 24 hours a day, 7 days a week. Members of our team are trained to resolve issues with our programs across all platforms that support our software and applications. Providers and their staff can also communicate securely and directly with our support center through our web-based platform. Our customers have the ability to categorize each message and log them as a compliment, routine or complaint. During regular business hours, a rapid response unit of our support team calls any practice that submits a complaint within 10 minutes of our receipt of the complaint.

In addition, our providers save time and money by directing patient calls regarding billing to our patient help desk. Our support team assists patients with their billing questions in both English and Spanish.

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Technology, Development and Infrastructure

We employ over 200 employees in our technology department dedicated to developing, maintaining and upgrading our software products. We continuously update our software and the rules in our rules based system. Our innovative platform utilizes the latest web, mobile, and cloud computing technologies which include Microsoft .NET, Linux, Android and Apple iOS. Our web-based platform ensures that data flows in a seamless manner across web, mobile and remote environments to our integrated web-based EHR and PracticePro applications. Our innovative platform further facilitates integration of all clinical, financial and administrative data to promote real-time information sharing and quick user adoption through user-friendly and intuitive tools that optimize daily processes.

Since our founding, we have remained committed to staying at the forefront of technological trends and changes. We believe that our web-based platforms provide the access, security and scalability that our healthcare industry customers desire. By utilizing our cutting-edge, technology-based solutions, we believe that our customers are positioned well for the healthcare industry future.

We host all critical customer services at a secure third-party co-location site in the U.S. Additionally, our customers encrypted data reside on secure servers located at both our primary offshore offices in the Islamabad metropolitan area of Pakistan, and at our fully functional disaster recovery site located four hours away in Bagh, Pakistan. Both of our sites in Pakistan as well as in the United States utilize fail-over server redundancy, continuous data backups, uninterruptible power supplies and other security measures intended to prevent interruptions in the delivery of our products and services. Customer data is in an automated loopback system, providing data redundancy and ensuring successful data recovery in the event of a catastrophic loss.

MTBC s Solution

Our fully integrated suite of technology and business service solutions is designed to enable healthcare practices to thrive in the midst of a rapidly changing environment in which managing reimbursement, clinical workflows and day-to-day administrative tasks is becoming increasingly complex, costly and time-consuming. Our end-to-end solution, marketed as PracticePro, combines clinical and practice management software with critical business services and knowledge driven tools. We believe that our web-based platform provides a compelling and cost-effective solution to healthcare providers.

Web-based Practice Management Application

Our proprietary, web-based practice management application automates the labor-intensive workflow of a medical office in a unified and streamlined SaaS platform. The various functions of the platform collectively support the entire workflow of the day-to-day operations of a medical office in an intuitive and user-friendly format. A simple,

individual and secure login to our web-based platform gives physicians, other healthcare providers and staff members access to a vast array of practice management data available at any time, which they can access at the office or from any other location where they can access the Internet. By adjusting the parameters of each user s rights, a practice administrator can easily keep sensitive practice information confidential. Users can customize the Practice Dashboard to display only the most useful and relevant information needed to carry out their particular functions. We believe that this streamlined and centralized automated workflow allows providers to focus more of their time on delivering quality patient care rather than office administration.

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Below is a screen shot of the Practice Management Dashboard that a typical healthcare provider or administrator would view after logging on to our Web-based platform, based on customized settings previously selected by the provider s practice administrator.

The newest of our Practice Management tools is iCheckin, an enhanced patient check-in app for iOS and Android-based tablet devices. By using iCheckIn, patients can do the following:

Quickly check-in on the day of the appointment

View and update demographic and insurance details

Capture and upload photos and insurance card images

Review and electronically pay co-insurance, co-payments and self-payment balances

Electronically sign consents and financial forms

ONC-ACB 2014 Edition Certified Web-based Electronic Health Records

Over the last several years, the government has enacted initiatives to drive the adoption of certified EHR solutions. Under the American Recovery and Reinvestment Act and HITECH Act, subject to sequestration adjustments and certain deadlines, an eligible provider that qualifies for incentives by demonstrating meaningful use of a certified EHR can receive up to an aggregate of $44,000 from Medicare or $63,750 from Medicaid, and eligible providers that do not demonstrate meaningful use will face a penalty in the form of a reduction in reimbursement beginning in 2015. The Office of the National Coordinator for Health Information Technology (ONC) oversees the functionality that an EHR solution must meet to be eligible for incentives under the HITECH Act, and recognizes a variety of Authorized Certification Bodies (ACBs) eligible to test for and designate EHRs as certified for meaningful use reporting. Our web-based EHR solution has achieved 2014 Edition Complete EHR Ambulatory ONC-ACB Health IT Certification,

which designates the software as capable of supporting healthcare providers with Stage 1 and Stage 2 meaningful use measures required to qualify for funding under the American Recovery and Reinvestment Act. Furthermore, our web-based EHR solution was ranked fifth among all EHRs servicing healthcare providers practicing in the 1 10 provider practice space by KLAS, a leading independent industry assessor of healthcare information technology products.

Our tablet and web-based EHR solutions allow a provider to view all patient information in one online location, thus avoiding the need for numerous charts and records for each patient. Providers can track patients from their initial appointments; chart clinical data, history, and other personal information; enter and submit claims for medical services; and review and respond to queries for additional information regarding the billing process. Additionally, the EHR software delivers a robust document management system to enable providers to transition to paperless environments, including electronic connectivity between practitioners and patients, streamlining patient communications, and enables providers to determine how potential drugs that may be prescribed for a particular patient will interact with that patient s allergies, other medication and pre-existing medical conditions.

In addition, we offer meaningful use coaches as a value added service to our customers to help them qualify for the meaningful use incentives and avoid penalties, provided under the HITECH Act.

Mobile Health Solutions

The functionality of our cloud-based platform is extended to mobile devices through our integrated suite of mobile health applications.

We offer a family of mobile health applications including physician end-user tools that support, among other things, electronic prescribing, the capture of billing charges in ICD-9 and ICD-10 formats, and the creation and secure transfer of clinical audio notes that are converted into text and billing charges. We support both Apple iOS and Android devices.