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IN THE CIRCUIT COURT OF THE
5TH JUDICIAL CIRCUIT IN AND FOR
LAKE COUNTY, FLORIDA

ACCESS DIAGNOSTIC INSTITUTE, LLC, a Florida limited liability company,

Plaintiff,

v.

SYED MOHAMMAD-ALI KARIM, aka SYED M KARIM, aka MOHAMMED ALI KARIM, aka SYED ALI KARIM aka SYED MOHAMMAD KARIM, aka S ALI KARIM; an individual; and
ATLANTIS GLOBAL LABORATORIES, LLC, A Delaware limited liability company; and
ATLANTIS GLOBAL HOLDINGS, INC., a Delaware corporation; and
ATLANTIS HOLDING CORPORATION, a Delaware corporation; and
ATLANTIS PROGRAM MANAGER, LLC, an Arizona limited liability company; and
ATLANTIS PROGRAM MANAGER OF SOUTHEAST, A Florida limited liability company,

Defendants.

CASE NO.: _______________

COMPLAINT

Plaintiff ACCESS DIAGNOSTIC INSTITUTE ("ADI"), LLC, hereby sues Defendants, and states:

1. This is an action for damages exceeding $15,000.00.

Venue and Jurisdiction

2. This Court has jurisdiction pursuant to §§26.012, *Florida Statutes*.

3. Venue is proper in Lake County, Florida, because the actions described herein occurred in Lake County, and the causes of action arose occurred in Lake County.

FILED: LAKE COUNTY, GARY J. COONEY, CLERK, 08/27/2019 04:31:12 PM

The Parties

4. Plaintiff, ADI, is a Florida limited liability with its principle place of business in Lake County, Florida.

5. Defendant, Syed Mohammad-Ali Karim, a/k/a Syed M. Karim, a/k/a Mohammed Ali Karim, a/k/a Syed Ali Karim, a/k/a Syed Mohammad Karim, a/k/a S. Ali Karim Karim, is an individual whose principle address is unknown to ADI.

6. Atlantis Global Laboratories, LLC, is a Delaware limited liability company with a registered agent located at 1209 Orange Street Wilmington, Delaware 19801.

7. Defendant Atlantis Global Holdings, Inc., is a Delaware corporation with a registered agent located at 1209 Orange Street, Wilmington, Delaware 19801.

8. Defendant Atlantis Holding Corporation is a Delaware corporation with a registered agent located at 160 Greentree Drive, Suite 101, Dover, Delaware 19904.

9. Defendant Atlantis Program Manager, LLC, is an Arizona limited liability company with a registered office located at Address: 2155 E Conference Dr, Tempe, Az, 85284. This entity does not currently list a physical address for a statutory agent with the Arizona Corporation Commission, but only lists S. Ali Karim PO Box 76258, Phoenix, AZ 85050. [1]

10. Defendant Atlantis Program Manager of Southeast, LLC, is a Florida limited liability company with a registered agent located at 2113 Ruby Red Boulevard, Suite A, Clermont, Florida 34714.

11. Each of the entities described in paragraphs 6 through 10 (the "Karim Alter Ego Entities") are owned, influenced and governed by Karim to such extent that due to misuse of each

[1] A previous address of statutory agent was S. Ali Karim, 16222 North 59th Ave., Glendale, AZ 85306.

entity, any fiction of separateness has ceased to exist such that each is merely a façade and alter-ego of Karim.

12. All conditions precedent to filing this action have been satisfied or waived.

Introduction

13. ADI performs diagnostic laboratory services, primarily in Central Florida, but also provides services throughout the country.

14. ADI was introduced to Karim around June of 2016. Karim held himself out as the CEO of Atlantis Health System ("Atlantis"), a self-described leader in a "collaborative model of healthcare delivery and management."[2] Karim proposed that ADI join a clinical integrated network managed by Atlantis, which appeared to be a network of interrelated entities under the Atlantis umbrella or otherwise affiliated with Atlantis.[3]

15. The idea of joining a network to facilitate delivery of services, simplification of management, and business growth opportunities was naturally appealing. ADI was therefore induced to enter into business relations with Atlantis, Karim, and their affiliates, all of whom are now believed to be entities in which Karim had a financial interest, either as a member or shareholder, officer, director, or manager. The business affiliate entities and purported business relationships were a façade and their existences were used to perpetrate frauds upon ADI and its own members, managers, and business affiliates. Those entities include, *inter alia*, the Karim Alter Ego Entities, all of who are Karim's alter-ego's and co-conspirators and have been used to perpetrate frauds in this case.

16. ADI has come to learn that Karim's entire operation is nothing more than an

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[2] *See* "Message from the CEO", last accessed at http://atlantishealthsystem.com/about-us/message-from-the-ceo/.

[3] *See* www.atlantishealthsystem.com.

extremely well-dressed, elaborate scam.

Facts Common To All Counts

17. On or about July 1, 2016, Karim proposed a transaction whereby, he would, either directly or through Atlantis Global Laboratories, LLC, purchase 90% of the equity of ADI for $2,000,000.00. Karim proposed a sophisticated transaction which included provisions for him to become a director and manager of ADI pursuant to a new operating agreement.

18. ADI's principles initially agreed, subject to a further written agreement (and performance of other obligations, including payment). Karim became an ADI manager, but the written agreement was never consummated and Karim never paid for the equity interest. This was but one of several promises and representations that Karim would make but not complete.

19. Around July 21, 2016, Karim caused to be filed a fictitious name registration for ADI to use the fictitious name of "Atlantis Diagnostic Laboratories." At the time of such filing, Karim was not a manager of ADI and had no authority to act on behalf of ADI.

20. Between late 2016 and mid-2018, Karim continued to hold himself out as the CEO of a vast healthcare network, all under the Atlantis, and proclaimed that Atlantis was expanding services and offerings in Florida. During this time, Karim created entities named Atlantis Integrated Multi-Specialty Centers, LLC, Atlantis Program Manager of Southeast, LLC, Atlantis Careconnect Solutions, LLC, and Atlantis Health System, Arizona, LLC, all using the ADI office address of 2113 Ruby Red Blvd., Clermont, Florida.

21. Karim also caused an Arizona entity, Desert Valley Urgent Care, PLLC, LLC, to file a foreign registration in Florida, also using the address of 2113 Ruby Red Blvd.

22. Karim caused certain employees and principles associated with ADI, namely Jason Wilson and Dr. Leonel Edwards, to be listed as managers for some of these entities, including

Atlantis Careconnect Solutions, LLC, Atlantis Health System, Arizona LLC, and Desert Valley Urgent Care, PLLC, LLC.

23. Between late 2017 and early 2018, Karim presented ADI with a document purporting to be a Consolidated Financial Report for December 31, 2017, for "Atlantis Global Holdings, Inc. And Subsidiaries" (the "Atlantis Report," a copy of which is attached as **Exhibit "A"**). The Atlantis Report purports to have been prepared by RSM US, LLP, a national accounting, auditing, and consulting firm, and includes an Auditor's Report addressed to the Atlantis Board Of Directors.

24. The Atlantis Report shows Atlantis owning Assets in 2017 in excess of \$155,000,000.00, having revenues in excess of \$375,000,000.00, and income approaching \$40,000,000.00. In the whole, the Atlantis Report paints a very sound financial picture.

25. ADI has come to believe the Atlantis Report is a complete false construct, fraudulently created to induce ADI to rely upon Karim's representations of financial expansion, growth, and stability.

26. In September of 2017, right in the midst of when all of these entities were being created and introduced to ADI, Karim also created an Amended Annual Report to be filed for ADI with the Florida Secretary of State, listing a Karim entity and alter ego, Atlantis Program Manager of Southeast, LLC, to be listed as a Manager of ADI.

27. When the report was filed, ADI reasonably believed that Karim was introducing ADI to a large and valuable healthcare service. Thus, although Karim has not paid for a membership interest in ADI, there was perceived value in permitting Karim to join ADI as a manager.

28. Both before and after becoming a manager of ADI, Karim manipulated ADI into

engaging in a series of financial contracts which were structured to benefit only Atlantis and Karim to the detriment of ADI.

29. Among the financial arrangements that Karim initiated were: (i) An agreement with Green Capital Funding involving the sale of ADI receivables but where the payments flowed directly to Karim and his alter-ego entities; and (ii) Multiple agreements with CFG Funding involving the purchase of receivables, but where money flowed directly to Karim and his alter-ego entities. In addition, by making promises of increased growth due to access to the Atlantis network, Karim induced ADI to enter into other contractual and financial relationships in anticipation of increased business demand.

30. During this time, however, Karim demanded that ADI pay over to Karim a portion of all revenues from ADI as a type of "contribution" or "fee" for participating in the Atlantis network.

31. Initially ADI saw a benefit as the network involvement did in fact produce a substantial increase in business demand.

32. However, ADI was seriously over-extending its use of business credit and could not keep up with Karim's financial demands. Finally, ADI could not continue to comply with Karim's demands.

33. When ADI finally ceased turning over revenue to Karim, Karim caused a substantial amount of incoming business to be diverted to new suppliers. Karim diverted this business despite being a manager and owing a fiduciary duty to ADI and with full knowledge that such actions would have a devastating financial impact on ADI.

34. Karim has abandoned ADI, caused all revenue sources over which he has influence to be diverted, and has left ADI holding the bag for the remaining financial obligations created by

the sales of receivables and other financial engagements.

COUNT I – Breach of Fiduciary Duty

35. Plaintiff, ADI, realleges the paragraphs preceding Count I.

36. This is an action for damages against Defendant Karim and his alter ego, Atlantis Program Manager of Southeast, LLC ("Atlantis Program Manager SE").

37. Pursuant to §608.4225, *Florida Statutes*, Karim and Atlantis Program Manager SE owed fiduciary duties to ADI Company and its members, which included a duty to account for and hold as trustee all ADI property, profits, and opportunities.

38. Karim and Atlantis Program Manager SE breached those fiduciary duties by:

a. Misappropriating and diverting ADI's money and assets for Karim's benefit;

b. Selling ADI's receivables for cash payments that were paid to Karim directly or through his Atlantis alter ego entities;

c. Using ADI's credit and business contracts to generate pecuniary benefits for Karim;

d. Causing ADI to enter into business arrangements for the benefit of Karim but at costs to ADI;

e. Diverting ADI business and business opportunities to other Atlantis companies affiliated with Karim;

f. Having interests adverse and in competition with ADI and acting on behalf of other entities in competition with ADI;

g. Misappropriating the Company's money and other assets for his own personal benefit;

39. The foregoing actions and omissions were willful, intentional and wrongful, and proximately and directly caused damage to ADI and its members.

40. As Karim's alter egos, each of the Karim Alter Ego Entities is jointly and severally liable for the actions of Karim and Atlantis Program Manager SE.

WHEREFORE, ADI demands judgment against Karim and Atlantis Program Manager SE for damages, costs, attorneys' fees and such further relief as the court deems proper.

COUNT II – Constructive Fraud Against Karim

41. Plaintiff realleges the paragraphs preceding Count I.

42. Karim shared a confidential and fiduciary relationship with ADI and its members.

43. As a result of this confidential relationship, the Plaintiff and other members reposed trust and confidence in Karim.

44. Karim made intentional misrepresentations about Atlantis, and particularly its business and financial health, which were embodied in the Atlantis Report (Exhibit "A") to induce ADI's confidence and trust.

45. ADI relied upon Karim's representations to its detriment in entering into the business and financial arrangements described above.

46. Karim violated the confidential relationship by misappropriating and diverting ADI's assets for his own benefit, having interests adverse to and in competition with the ADI, failing to properly account to ADI and members.

47. ADI suffered damages as a result Karim's fraudulent conduct.

48. As Karim's alter egos, each of the Karim Alter Ego Entities is jointly and severally liable for the actions of Karim.

WHEREFORE, ADI demands judgment against Karim for damages, costs, attorneys' fees, and such further relief as the Court deems proper.

COUNT III – Conversion Against Karim

49. Plaintiff realleges the paragraphs that precede Count I.

50. Karim converted to his own use and to the use of other Defendants certain property and monies that ADI received in revenues, loan proceeds, and the sale of receivables, having a value estimated in the hundreds of thousands of dollars.

51. Karim has now abandoned ADI and attempts to divert any remaining benefits flowing to ADI to other Atlantis entities or affiliates such that any demand upon Karim to return assets or money to ADI is futile.

52. ADI has suffered damages as a result of Karim's wrongful conversion.

53. As Karim's alter egos, each of the Karim Alter Ego Entities is jointly and severally liable for the actions of Karim.

WHEREFORE, ADI demands judgment against Karim Testagrossa for damages, costs, attorneys' fees, and such further relief as the Court deems proper.

COUNT IV – Civil Conspiracy Against All Defendants

54. Plaintiff realleges the paragraphs preceding Count I, 37-39, 42-47, and 50-52.

55. Upon information and belief, the Karim Alter Ego Entities conspired with Karim to convert and misappropriate money and property belonging to ADI for the personal benefit of Karim and the Karim Alter Ego Entities.

56. The Karim Alter Ego Entities were used as vehicles for misleading ADI about the Atlantis network and to induce ADI and its principles to trust Karim and engage in business relationships with Karim and the Karim Alter Ego Entities.

57. Each Defendant was caused to participate in overt acts in pursuit of the conspiracy, including but not limited to directing personal benefits of money and property through such entity, directly or indirectly to Karim.

58. ADI has suffered damages as a direct and proximate cause of the Defendants' conspiracy.

59. The Defendants' actions render each of them jointly and severally liable for the damages caused to ADI.

WHEREFORE, Plaintiff demands judgment against Defendants, jointly and severally, for damages, costs, and such further relief as the Court deems proper.

Respectfully Submitted,

s/Eric C. Boughman
Eric C. Boughman, FBN: 11079
FORSTERBOUGHMAN
2200 Lucien Way, Ste. 405
Maitland, FL 32751
(407) 255-2055 - Phone
(407) 264-8295 - Fax
Boughman@FBL-law.com
Service@FBL-law.com
Attorneys for Plaintiff, Advanced Diagnostics Institute, LLC

Atlantis Global Holdings, Inc. And Subsidiaries

Consolidated Financial Report
December 31, 2017

EXHIBIT A

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

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RSM

RSM US LLP

Independent Auditor's Report

To the Board of Directors
Atlantis Global Holdings, Inc. and Subsidiaries
Tempe, Arizona

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Atlantis Global Holdings, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Atlantis Global Holdings, Inc. and Subsidiaries as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the consolidated financial statements, the 2016 and 2015 consolidated financial statements have been restated to correct misstatements in the application of accounting principles. The previously issued auditor's report dated April 9, 2017 is not to be relied on because these consolidated financial statements were materially misstated. The auditor's report dated April 9, 2017, is replaced by this auditor's report on the restated consolidated financial statements.

Other Matter

The consolidated statements of income, changes in stockholders' equity, and cash flows of Atlantis Global Holdings, Inc. and Subsidiaries, for the year ended December 31, 2015, were compiled by us and our report thereon, dated September 13, 2016, stated we did not audit or review those financial statements and, accordingly, we express no opinion or other form of assurance on them.

RSM US LLP

Chicago, Illinois
April 7, 2018

Atlantis Global Holdings, Inc. And Subsidiaries

Consolidated Balance Sheets
December 31, 2017 And 2016

Assets		2017		Restated 2016
Current Assets:				
Cash and cash equivalents	$	1,295,658	$	27,915,126
Patient accounts receivable, net		51,852,469		38,775,304
Accounts receivable - other		709,598		262,357
Supplies inventories		12,899,548		11,180,214
Prepaid expenses		1,971,490		2,173,136
Note receivable, current portion		148,233		-
Total current assets		68,876,996		80,306,137
Property And Equipment, Net		53,299,571		29,581,262
Restricted Cash		2,000,000		2,500,000
Intangible Cash, Net		2,786,237		2,451,960
Goodwill		930,581		-
Investments in Affiliates		24,258,832		9,224,438
Note Receivable, Less Current Portion		2,493,383		-
Other Non-Current Assets		1,094,806		542,544
Total assets	$	155,740,406	$	124,606,341

See Notes To Consolidated Financial Statements.

Liabilities And Equity		2017		Restated 2016
Current Liabilities				
Accounts payable and accrued expenses	$	37,363,897	$	27,899,512
Distributions payable		1,574,863		13,486,469
Current portion of obligations under bank loans		3,203,848		1,326,179
Line of credit		4,794,614		-
Current portion of stock redemption obligation		5,850,000		-
Current portion of obligations under capital leases		83,631		76,757
Other current liabilities		2,093,524		-
Total current liabilities		54,964,377		42,788,917
Obligations Under Bank Loans, Less Current Portion		8,919,573		3,528,425
Obligations Under Capital Leases, Less Current Portion		67,603		151,234
Stock Redemption Obligations, Less Current Portion		5,850,000		-
Other Non-Current Liabilities		1,803,774		-
Deferred Rent Liability		1,639,004		1,116,248
Total liabilities		73,244,331		47,584,824
Commitments And Contingencies (Notes 6, 7, 8, 9, 10, 11 & 12)				
Stockholders' Equity				
Common stock, no par value Authorized shares - 5,000 voting; issued and outstanding shares - 1,881 at December 31, 2017; 1,960 at December 31, 2016		3,948,000		1,534,870
Additional paid-in capital		1,891,310		1,438,661
Advances to stockholders		-		-
Retained earnings		76,656,765		74,047,986
Total stockholders' equity		82,496,075		77,021,517
Total liabilities and stockholders' equity	$	155,740,406	$	124,606,341

Atlantis Global Holdings, Inc. And Subsidiaries

Consolidated Statements Of Income
Years Ended December 31, 2017, 2016 And 2015

		2017		Restated 2016		(Restated, Unaudited) 2015
Revenues:						
Patient revenue, net of contractual adjustments	$	473,258,503	$	513,171,448	$	212,513,038
Adjustments for uncollectible accounts		(97,878,036)		(96,246,716)		(42,293,983)
Net patient revenues		375,380,467		416,924,732		170,219,055
Expenses:						
Salaries and benefits		33,500,783		20,993,184		7,799,977
Supplies		112,499,729		95,129,119		56,944,343
Other operating expenses		25,670,114		15,511,668		9,199,453
General and administrative		78,679,724		57,966,912		27,514,857
Sales, marketing and advertising		71,272,954		84,786,545		28,753,629
Rent		6,192,240		3,017,553		1,768,692
Depreciation and amortization		7,047,741		4,228,412		1,999,524
Total operating expenses		334,863,285		281,633,393		133,980,475
Income from operations		40,517,182		135,291,339		36,238,580
Other income (expense):						
Interest expense		(369,742)		(116,940)		(162,454)
Interest income		6,181		37,178		72,948
Other Income		18,942		147,704		-
Loss from equity investments in affiliates		(2,493,009)		(429,320)		-
Foreign currency gain		108,623		71,841		-
Net Income	$	37,788,177	$	135,001,802	$	36,149,074

See Notes To Consolidated Financial Statements.

Atlantis Global Holdings, Inc. And Subsidiaries

Consolidated Statements Of Changes In Stockholders' Equity
Years Ended December 31, 2017, 2016 And 2015

	Common Stock						
	Voting Stock	Amount	Subscriptions Receivable	Additional Paid-In Capital	Advances to Stockholders	Retained Earnings	Total Equity
Balance at January 1, 2015, Previously Reported (Unaudited)	1,960	$ 1,534,870	$ (99,900)	$ 136,653	$ -	$ 7,346,160	$ 8,917,783
Restatement (see Note 2)	-	-	-	-	-	(2,154,301)	(2,154,301)
Balance at January 1, 2015, As Restated (Unaudited)	1,960	1,534,870	(99,900)	136,653	-	5,191,859	6,763,482
Common stock subscriptions receivable (Unaudited)	-	-	99,900	-	-	-	99,900
Net income (Restated, Unaudited)	-	-	-	-	-	36,149,074	36,149,074
Stock-based compensation expense (Unaudited)	-	-	-	760,151	-	-	760,151
Advances to stockholders (Unaudited)	-	-	-	-	(1,361,899)	-	(1,361,899)
Distributions (Unaudited)	-	-	-	-	-	(5,504,321)	(5,504,321)
Balances at December 31, 2015, As Restated	1,960	1,534,870	-	896,804	(1,361,899)	35,836,612	36,906,387
Net income (restated)	-	-	-	-	-	135,001,802	135,001,802
Stock-based compensation expense	-	-	-	541,857	-	-	541,857
Advances to stockholders	-	-	-	-	(2,000,000)	-	(2,000,000)
Distributions	-	-	-	-	3,361,899	(96,790,428)	(93,428,529)
Balances at December 31, 2016, As Restated	1,960	1,534,870	-	1,438,661	-	74,047,986	77,021,517
Net income	-	-	-	-	-	37,788,177	37,788,177
Redemption of stock	(100)	(1,534,870)	-	-	-	(17,265,130)	(18,800,000)
Issuance of stock	21	3,948,000	-	-	-	-	3,948,000
Stock-based compensation expense	-	-	-	452,649	-	-	452,649
Distributions	-	-	-	-	-	(17,914,268)	(17,914,268)
Balances at December 31, 2017	1,881	$ 3,948,000	$ -	$ 1,891,310	$ -	$ 76,656,765	$ 82,496,075

See Notes To Consolidated Financial Statements.

Atlantis Global Holdings, Inc. And Subsidiaries

Consolidated Statements Of Cash Flows
Years Ended December 31, 2017, 2016 And 2015

		2017		Restated 2016		(Restated, Unaudited) 2015
Cash Flows From Operating Activities						
Net income	$	37,788,177	$	135,001,802	$	36,149,074
Adjustments to reconcile net income to net cash provided by operating activities:						
Adjustments for uncollectible accounts		97,878,036		96,246,716		42,293,983
Depreciation and amortization		7,047,741		4,228,412		1,999,524
Loss on disposal of property, plant and equipment		228,285		44,720		-
Loss on equity investments in affiliates and cash distributions		2,905,375		697,802		-
Gain on debt extinguishment		-		(50,000)		-
Non-cash compensation expense		-		-		167,290
Stock-based compensation expense		452,649		541,857		760,151
Deferred rent		522,756		481,705		642,063
Changes in assets and liabilities						
Patient accounts receivable		(111,402,443)		(112,668,465)		(49,272,777)
Supplies inventories		(563,787)		(6,989,182)		(2,765,523)
Prepaid expenses		201,646		(733,517)		(1,815,837)
Restricted cash		500,000		(2,500,000)		-
Other assets		7,617		(139,477)		(1,384,259)
Accounts payable and accrued expenses		9,464,386		10,003,137		8,415,950
Interest payable		-		-		(3,738,064)
Other liabilities		-		(244,595)		2,100,000
Net cash provided by operating activities		45,030,438		123,920,895		33,551,575
Cash Flows From Investing Activities						
Purchases of property and equipment		(30,794,954)		(14,163,131)		(15,973,939)
Acquisitions		(1,260,157)		-		-
Purchases of intangible assets		(781,690)		(254,080)		-
Proceeds from sale of property, plant and equipment		86,011		11,200		-
Notes receivable from third party		(544,040)		424,250		(424,250)
Investments in affiliates		(17,353,875)		(9,190,398)		-
Net cash used in investing activities		(50,658,705)		(23,172,159)		(16,398,189)
Cash Flows From Financing Activities						
Principal payments on long-term debt		(2,335,081)		(645,396)		(6,150,000)
Principal payments on capital lease		(76,757)		(70,449)		(16,688)
Payments for intangible assets financed with seller		-		(1,750,000)		(1,000,000)
Proceeds from long-term debt		9,603,899		5,500,000		-
Proceeds from revolving credit facility, net		4,794,614		-		-
Proceeds from issuance of common stock		3,948,000		-		-
Common stock repurchase		(7,100,000)		-		-
Cash distributions to stockholders		(29,825,876)		(83,446,960)		(2,319,621)
Advances to stockholders		-		(2,000,000)		(1,361,899)
Net cash used in financing activities		(20,991,201)		(82,412,805)		(10,848,208)
Net (decrease) increase in cash and cash equivalents		(26,619,468)		18,335,931		6,305,178
Cash And Cash Equivalents:						
Beginning		27,915,126		9,579,195		3,274,017
Ending	$	1,295,658	$	27,915,126	$	9,579,195

(Continued)

Atlantis Global Holdings, Inc. And Subsidiaries

Consolidated Statements Of Cash Flows
Years Ended December 31, 2017, 2016 And 2015

		2017		Restated 2016		(Restated, Unaudited) 2015
Supplemental Disclosures Of Cash Flow Information						
Interest paid	$	369,742	$	116,940	$	3,900,518
Schedule of Noncash Investing Transactions						
Investments in affiliates	$	585,894	$	731,842	$	-
Acquisition of intangibles financed with seller		-		-		2,800,000
Schedule of Noncash Financing Transactions						
Stock purchase obligation	$	11,700,000	$	-	$	-
Note payable assumed in business acquisition		2,647,299		-		-
Note payable - business acquisition		1,250,000		-		-
Change in distributions accrued		(11,911,606)		9,981,569		3,184,700
Equipment acquired through capital lease		-		-		315,128

See Notes To Consolidated Financial Statements.

Note 1. Organization And Significant Accounting Policies

Description of company: Atlantis Global Holdings, Inc. (AGH) owns and operates health care services and facilities (e.g., ambulatory surgical centers, imaging centers, catherization centers, multi-specialty medical practices), and designs and implements integrated health care delivery systems for the purpose of accountable care organizations under the Medicare Shared Savings Program. The AGH approach emphasizes prevention of exacerbations and complications utilizing evidence-based practice guidelines, low-cost and high-value outpatient services, and patient empowerment strategies. AGH's services include: complete health risk assessments of patients; diagnostic imaging and blood and urine laboratory analysis; chronic disease management and treatment programs consistent with national accepted protocols for diabetes, hypertension, cholesterol, stress, obesity, musculoskeletal conditions, smoking cessation, cancer, and other medical conditions. AGH's services include health education tailored to the specific risks of each patient to ensure health literacy in those areas; HIPAA compliant population-based reporting to enable physicians to monitor patient progress; and a web-based personal health record and portals for patients and their health providers.

The goals of AGH are to diagnose and treat existing disease, prevent adverse events, develop systems to decrease costs and increase the quality of such diagnosis and treatment, and engage patients in their health care decisions.

Nature of business: AGH is a holding company that owns and operates accredited and non-accredited outpatient clinical facilities and management companies that manage physician networks.

AGH currently owns multiple health care services and facilities in Arizona, Florida, Illinois, Maryland, and Michigan that provide services to physicians and their patients in those states. Additionally, AGH currently owns a clinical and anatomic laboratory in Clermont, Florida, a clinical and anatomic laboratory in Southfield, Michigan, a durable medical equipment company in Mesa, Arizona, and a specialty pharmacy in Cleveland, Ohio from which physicians and their patients are serviced throughout 45 states in the United States, plus the District of Columbia.

Basis of Presentation: The accompanying consolidated financial statements have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") that the Company follows to ensure its financial condition, results of operations, and cash flows are consistently reported. References to GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification ("FASB ASC").

Principles of consolidation: The accompanying consolidated financial statements include the accounts of AGH, Atlantis Holding Corporation (AHC), Atlantis Program Manager, LLC (APM), Atlantis Global Laboratories, LLC (AGL), Atlantis Radiology and Diagnostics, LLC (ARD), Athena Pharmaceuticals (Athena), and their respective operating subsidiaries (collectively, the Company). See Notes 6 and 9 for further information on activities of AHC, APM, AGL, ARD, and Athena. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company evaluates whether any of its interests in its investments in affiliates are variable interest entities (VIE) when they are first acquired and whenever reconsideration events occur. The Company is required to consolidate VIEs for which it is the primary beneficiary. If the Company is not the primary beneficiary and an ownership interest is held, the VIE is accounted for under the equity method of accounting. When assessing the determination of the primary beneficiary, the Company considers all relevant facts and circumstances, including: the power, through voting or similar rights, to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb the expected losses and/or the right to receive the expected returns of the VIE. The Company performs ongoing reassessments of all VIEs to determine if the primary beneficiary status has changed.

Note 1. Organization And Significant Accounting Policies (Continued)

The Company owns a majority interest in one of its investment in affiliates, Atlantis Management Solutions, LLC, but does not consolidate it because the Company shares the power to direct the activities that most significantly impact its economic performance. Decisions regarding activities that most significantly impact the economic performance of the venture would require consent from at least two of the partners. Operating decisions are made by the manager, who is also an equity investor. Accordingly, the Company applies the equity method of accounting for Atlantis Management Solutions, LLC.

A summary of the Company's significant accounting policies follows:

Basis of accounting: The Company prepares its financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which include the use of the accrual basis of accounting, whereby revenues are reported when earned and expenses are reported when incurred. Certain prior year amounts have been reclassified to conform with current year presentation.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition: Revenue is recognized for services rendered when the sample testing process is complete and test results are reported to the ordering physician. Revenues are reported at their estimated net realizable amounts. The delivery of test results to the ordering physician triggers the billing for the service. Services are billed to three types of payors – clients, patients and third-parties, such as health insurance companies, Medicare and Medicaid. Client sales are recorded on a fee-for-service basis using client list price, less any negotiated discount. Patient sales are recorded using the Company's patient fee schedule, net of any discounts negotiated with physicians on behalf of their patients. The Company bills third-party payors on the Company's standard fee schedule. The Company recognizes revenue related to billings for third-party payors when there is a predictable pattern of collectability on an accrual basis, net of contractual adjustments. These contractual adjustments represent the difference between the list price (the billing rate) and the reimbursement rate set by commercial or governmental payors. The Company's estimate of contractual adjustments for uncollectible accounts is based on significant assumptions and judgments, such as its interpretation of payor reimbursement policies, and the experience of amounts approved as reimbursable and ultimately settled by payors, versus the corresponding gross amount billed to the respective payors, and interpretation of historical collection experience. The contractual adjustment and adjustments for uncollectible accounts are adjusted periodically based upon an evaluation of historical collection experience with specific payors for particular services, industry reimbursement trends, and other relevant factors. Changes in these factors in future periods could result in increases or decreases in the Company's adjustments for uncollectible accounts and impact its results of operations, financial position and cash flows.

Cash and cash equivalents: The Company considers all demand deposits, money market funds, and securities with original maturities of three months or less, when purchased, to be cash equivalents.

Note 1. Organization And Significant Accounting Policies (Continued)

Patient accounts receivable: Patient accounts receivable are reported at realizable value, net of contractual adjustments and reserve for uncollectible accounts, which are estimated and recorded in the period that the related revenue is recorded. Allowances for contractual adjustments result from the agreements between the Company and applicable third-party payors primarily composed of health insurance companies, Medicare and Medicaid, and are based on negotiated fee schedules per reimbursement contractual agreements, as well as historical collection experience. For receivables associated with services provided to patients who have third-party coverage, the Company analyzes contractually due amounts and provides an allowance for doubtful accounts and adjustments for uncollectible accounts, if necessary. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and co-payment balances due for which third-party coverage exists for part of the bill), the Company records significant adjustments for uncollectible accounts in the period of service on the basis of its collection practices and historical collection experience. Accounts receivable that are determined to be uncollectible based on the Company's policies, are written off to the allowance for doubtful accounts.

Financial Instruments: The carrying amounts of financial instruments, including cash, receivables, accounts payable and accrued expenses, approximate fair value because of the short maturity of these instruments. The carrying amounts of notes receivable, notes payable, lines of credit, bank loans and capital leases approximate fair value because the interest rates on these instruments approximate current market rates.

Supplies inventories: Inventories are stated at the lower of cost (first in, first out method) or market.

Property and equipment: Property and equipment are recorded at cost. Major repairs and betterments, if material, are capitalized. The cost of routine maintenance and repairs is charged to operating expenses as incurred. When property and equipment is disposed of, accumulated depreciation is written down to zero along with the fixed asset, with the resulting gain or loss being booked to other income (expense) on the consolidated income statements. Depreciation is computed on a straight-line method over the shorter of the assets' estimated useful lives or lease term as follows:

Assets	Useful Life in Years
Leasehold improvements	7 – 25
Laboratory equipment	5 – 10
Furniture, office and technology	5 – 10

Intangible assets: Intangible assets include patents, trademarks, long-term license fees and purchased intellectual property. Intangible assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives, which range from five to 20 years. All other costs in connection with maintaining the intellectual property are expensed as incurred.

Note 1. Organization And Significant Accounting Policies (Continued)

Goodwill: Goodwill represents the excess of the purchase price of an acquired business over the fair value of the underlying assets acquired and liabilities assumed. Goodwill will be amortized over a period of 15 years for tax purposes. This asset is not amortized and instead is tested for impairment at least annually and between annual tests if an event occurs that would more-likely-than-not reduce the fair value of the reporting unit below its carrying value.

Investments in affiliates: The Company is accounting for its investments in affiliates by the equity method under which the Company's share of the net income or loss of the affiliates is recognized in the Company's consolidated statements of income and added to or subtracted from the investment account. Dividends received from affiliates are treated as a reduction of the investment account. See Note 6 for further information regarding investments in affiliates.

Valuation of long-lived assets: The Company accounts for the valuation of long-lived assets under Accounting Standards Codification (ASC) 360-10-15, *Accounting for the Impairment or Disposal of Long-Lived Assets*. This pronouncement requires that long-lived assets, including certain intangible assets, be reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset group may not be fully recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset group. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the group carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount of fair value, less costs to sell. There was no impairment of long-lived assets identified in 2017, 2016, or 2015.

Advertising: The costs of advertising (which consists primarily of promotional materials and media advertising) are expensed as incurred. Total advertising expenses were approximately $2,623,499, $2,070,910 and $958,971 for the years ended December 31, 2017, 2016 and 2015, respectively.

Rent expense: Rent expense is recorded in accordance with ASC 840, *Accounting for Leases*, which requires rent to be recognized ratably over the life of the lease. Rent payments lower than or in excess of rental expense are reported as a deferred rent asset or liability.

Income taxes: The Company, with the consent of its stockholders, has elected to be taxed under applicable federal and state income tax laws, which provide that in lieu of corporation income taxes, the stockholders are taxed on their proportionate share of the respective Company's taxable income. As a result of this election, no provision or liability for income taxes has been recognized in the accompanying consolidated financial statements.

U.S. GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" able to be sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. Management evaluated the Company's tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally the Company is no longer subject to income tax examinations by U.S. federal, state or local authorities for years before 2014.

Note 1. Organization And Significant Accounting Policies (Continued)

Financial credit risk: The Company maintains its cash balances in two financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. The Company has not incurred any loses in such accounts.

Retirement plan: The Company sponsors a 401(k) plan covering eligible employees. The plan allows eligible employees to defer a portion of their annual compensation. The Company also matches a certain percentage of contributions by employees. Under the plan, the matching percentage is discretionary. For the years ended December 31, 2017, 2016 and 2015, the Company made contributions to the plan totaling $1,507,356, $718,123 and $322,803, respectively.

Stock-based employee compensation: The Company has a Nonstatutory Stock Option Plan, which is further described in Note 12. The Company recognizes compensation expense for employee awards granted in accordance with FASB ASC 718, *Compensation*. This Standard requires that the compensation cost relating to share-based payment transactions, including grants of employee stock options, be recognized in financial statements. That cost will be measured based on the grant date fair value of the equity or liability instruments issued.

The Company records compensation cost within the accompanying consolidated statements of income reflecting the number of awards that are expected to vest, and such cost is adjusted to reflect those awards that do ultimately vest.

The fair value of share-based compensation is recognized over the employee's requisite service period.

Subsequent events: The Company has evaluated whether any subsequent events that require recognition or disclosure in the accompanying consolidated financial statements and notes thereto have taken place through April 7, 2018, which is the date the consolidated financial statements were available to be issued.

Note 2. Restatement And Reclassifications

Restatement

The accompanying 2016 and 2015 financial statements have been restated to correct errors in accounting for commission expenses and related liabilities, recognition of conditional pledge obligations as assets and liabilities and misclassification of intangible assets as indefinite-lived asset not subject to amortization.

During the years ended December 31, 2016 and 2015, the Company recognized commission expense on the basis of cash collections rather than on total revenue recognized in the year. The above matter resulted in an understatement of liabilities and an overstatement of net income in both 2016 and 2015.

As of December 31, 2016, the Company recognized offsetting assets and liabilities for pledges of funding to various charitable organizations in future years. The above matter resulted in an overstatement of assets and liabilities at December 31, 2016.

During the years ended December 31, 2016 and 2015, the Company reported a certain intangible asset as having an indefinite life and not subject to amortization whereas the proper recording would have been as a definite-lived intangible with amortization of the fair value over a period of seven years. The above matter resulted in an overstatement of assets and net income in both 2016 and 2015.

Note 2. Restatement and Reclassifications (Continued)

In accordance with GAAP, the accompanying 2016 and 2015 financial statements have been restated to properly reflect restatements for the above items as follows:

	2016									
		As Previously Reported		Accrual for Commissions Payable		Pledge Obligations		Intangible Amortization		As Restated
Prepaid expenses	$	3,023,836	$	-	$	(850,700)	$	-	$	2,173,136
Intangible assets		3,085,293		-				(633,333)		2,451,960
Deferred contributions		3,950,000		-		(3,950,000)		-		-
Total assets	$	130,040,374	$	-	$	(4,800,700)	$	(633,333)	$	124,606,341
Accounts payable and accrued expenses	$	21,650,032	$	6,249,480	$	-	$	-	$	27,899,512
Other current liabilities		850,700		-		(850,700)		-		-
Other non-current liabilities		3,950,000		-		(3,950,000)		-		-
Total liabilities		46,136,044		6,249,480		(4,800,700)		-		47,584,824
End of year equity	$	83,904,330	$	(6,249,480)	$	-	$	(633,333)	$	77,021,517
Sales, marketing and advertising		81,871,240		2,915,305		-		-		84,786,545
Depreciation and amortization		3,828,412		-		-		400,000		4,228,412
Net income	$	138,317,107	$	(2,915,305)	$	-	$	(400,000)	$	135,001,802

	2015									
		As Previously Reported		Accrual for Commissions Payable		Pledge Obligations		Intangible Amortization		As Restated
End of year equity	$	40,473,895	$	(3,334,175)	$	-	$	(233,333)	$	36,906,387
Sales, marketing and advertising	$	27,573,755	$	1,179,874	$	-	$		$	28,753,629
Depreciation and amortization		1,766,191		-		-		233,333		1,999,524
Net income	$	37,562,281	$	(1,179,874)	$	-	$	(233,333)	$	36,149,074

Additionally, the operating cash flows of the consolidated statements of cash flows for 2016 and 2015 have been restated for an additional $400,000 and $233,333 of amortization expense for the years ended December 31, 2016 and 2015, respectively, and to reflect increases in changes in accounts payable and accrued expenses of $2,915,305 and $1,179,874 for the years ended December 31, 2016 and 2015, respectively.

Note 2. Restatement and Reclassifications (Continued)

Reclassification

During 2017, certain 2016 and 2015 consolidated income statements and balance sheets amounts were reclassified to conform with current year presentation.

During 2017, the Company reviewed its presentation of contractual adjustments and losses for uncollectible accounts. The Company reclassified $112,353,989 of 2016 losses, and $28,706,017 of 2015 losses, for uncollectible accounts related to patients revenue to contractual adjustments based on more accurate historical collectability patterns by payor. See Note 1 for additional information on revenue recognition policy. This reclassification had no effect on previously reported net patient revenues. Also during 2017, the Company reviewed its classification of certain accounts which roll up within the financial statement lines of the consolidated statements of income. Based on that review, certain operating expenses were reclassified in prior years.

These reclassifications had no effect on previously reported net assets or income.

Note 3. Patient Accounts Receivable

	2017	2016
Patient accounts receivable, gross	$ 259,262,347	$ 139,379,239
Allowance for contractual adjustments	(204,032,582)	(100,166,421)
Allowance for uncollectible accounts	(3,377,296)	(437,514)
Patient accounts receivable, net	$ 51,852,469	$ 38,775,304

See Note 2 for a discussion of reclassification of allowance amounts.

Note 4. Intangible Assets

	Range Useful Life (Years)	2017 Cost	2017 Accumulated Amortization	2017 Net
Amortizing intangible assets				
Intellectual property	7-10	$ 3,633,490	$ (1,042,048)	$ 2,591,442
Licenses	5	264,080	69,285	194,795
		$ 3,887,570	$ (1,101,333)	$ 2,786,237

		2016 Cost	2016 Accumulated Amortization	2016 Net
Amortizing intangible assets				
Intellectual property	10	$ 2,841,800	$ (635,451)	$ 2,206,349
Licenses	5	254,080	8,469	245,611
		$ 3,887,570	$ (643,920)	$ 2,451,960

In November 2017, the Company purchased several clinical protocol-related patents for $791,690. These patents were determined to have a remaining useful life of ten years. Amortization expense was $457,413 in 2017, $410,587 in 2016, and $233,333 in 2015.

See Note 2 for a discussion of the restatement of intangible assets.

Note 5. Property And Equipment

	2017	2016
Land	$ 32,868	$ 32,868
Buildings	219,965	219,965
Equipment, furniture and fixtures	50,583,508	27,173,928
Leasehold improvements	6,175,975	3,214,263
Software	8,333,838	4,591,664
Equipment under capital lease	315,128	315,128
	65,661,282	35,547,816
Accumulated depreciation	(12,361,711)	(5,966,554)
	$ 53,299,571	$ 29,581,262

Depreciation expense was $6,590,328 in 2017, $3,817,825 in 2016, and $1,766,191 in 2015.

Note 6. Investments in Affiliates

The major components of investments in affiliates were as follows:

		2017		2016
Atlantis Holding Corporation				
Investment in affiliate - Access Diagnostic Institute, LLC	$	15,673,532	$	8,839,837
Atlantis Program Manager, LLC:				
Investment in affiliate - Global Genomics Group, LLC		4,883,260		384,601
Investment in affiliate - Innovative Diagnostic Laboratory, LLP		3,702,040		-
	$	24,258,832	$	9,224,438

The Company is disclosing unaudited aggregated summarized financial data for the Company's equity method investments. This aggregated summarized financial data does not represent the Company's proportionate share of equity-method assets or earnings. Aggregate total assets of the equity-method investments in which the Company invested totaled $94,726,669 as of December 31, 2017. Aggregate total liabilities of the equity-method investments in which the Company invested totaled $50,293,515 as of December 31, 2017. Aggregate net losses of the equity-method investments in which the Company invested totaled $6,104,763 for the period ended December 31, 2017.

In July 2014, the Company formed a wholly-owned limited liability company (Atlantis Program Manager, LLC) for the purpose of holding ownership interests in domestic operating ventures. In July 2016, Atlantis Program Manager, LLC acquired a 50% ownership interest in Global Genomics Group, LLC (G3), a Delaware limited liability company, in exchange for a commitment by the Company to invest $17,350,000 over the period from July 2016 to May 2019. G3's business model is to develop confidential intellectual property. As of December 31, 2017, $8,695,141 had been invested in G3, leaving a total remaining commitment of $8,654,859. The Company recorded net losses from its investment in G3 of $3,417,508 and $394,373 for the years ended December 31, 2017 and 2016, respectively. The cumulative net loss at each reporting date is included as a reduction to investments in affiliates in the consolidated balance sheets.

In May 2017, Atlantis Program Manager, LLC entered into a joint venture in which it has a one-third ownership interest in Innovative Diagnostic Laboratory, LLC (IDL). IDL performs ColonSentry testing (a test for the detection of colon cancer) in their Richmond, Virginia lab. The Company made investments and advances to IDL during 2017 of $4,444,693. At December 31, 2017, the Company recorded a net loss of $742,653 from its investment in IDL. Starting in 2018, IDL will pay the Company royalties for early lung cancer detection tests performed in the Company's Kansas lab.

Note 6. Investments in Affiliates (Continued)

The Company had previously formed a wholly-owned Delaware corporation (Atlantis Holding Corporation) in April 2010, to hold ownership interests in various real estate investments. During the first quarter of 2014, Atlantis Holding Corporation acquired a 50% interest in a limited liability company, Access Diagnostic Institute, LLC (ADXI). During 2015, Atlantis Holding Corporation acquired an additional 8.9094%. ADXI owns the existing and expanded laboratory facility in Clermont, Florida. The Company leases a significant portion of the existing diagnostic facility and plans to lease the entire expanded facility in 2018 (see Note 9). The total investment made in ADXI during 2017 and 2016 was $5,578,909 and $9,142,710, respectively. Changes to the investment value of ADXI for 2017 and 2016 were as follows:

	2017	2016
Equity earnings (losses)	$ 1,667,152	$ (34,391)
Dividends received	412,366	268,482

Note 7. Acquisitions

To enhance the Company's product offerings, on October 22, 2017, the Company acquired substantially all of the assets of Oncimmune USA, LLC (Oncimmune USA), a subsidiary of Oncimmune Ltd. (the Seller), which is based in the United Kingdon. Oncimmune USA is based in De Soto, Kansas. The Seller developed, patented and commercialized a simple physician-ordered blood test to aid in the risk assessment and early detection of lung cancer. The purchase price of $2,500,000 consisted of $1,250,000 paid on the closing date of the acquisition and $1,250,000 in a note that is payable quarterly in 2018.

The acquisition was accounted for as a business combination. The following table summarizes recognized amounts of identifiable assets acquired at the acquisition date, which were recorded at fair value:

Inventory	$ 1,155,546
Equipment	413,873
Goodwill	930,581
Purchase	$ 2,500,000

As part of the acquisition, the Company entered into a licensing agreement with the Seller, which provides the Company the exclusive right to market and perform EarlyCDT-Lung testing in the United States. The licensing agreement requires the Company to pay the Seller royalty payments per test, subject to certain annual minimum payments. These minimum royalty payments are as follows:

2018	$ 1,625,000
2019	3,250,000
2020	4,875,000
2021	6,500,000
2022	6,500,000
	$ 2,500,000

Note 7. Acquisitions (Continued)

Also as part of the acquisition, the Company agreed to repay the outstanding note payable between Oncimmune USA and the Kansas Bioscience Authority (KBA) with a principal of $2,647,299 and an interest rate of 6%. The note is scheduled to be repaid November 2020. The principal and interest amounts due in 2018, 2019 and 2020 are $943,474, $963,821 and $963,821, respectively. In return, the Seller has signed an unsecured promissory note due to the Company with a principal balance of $2,641,616, and an interest rate of 6%, which is scheduled to be repaid ratably until its final repayment in February 2028.

Note 8. Lease Obligations

The future minimum annual payments under noncancellable leases with terms in excess of one year are as follows:

Years Ending December 31,		
2018	$	5,900,829
2019		6,081,764
2020		6,189,485
2021		6,336,254
2022		6,266,076
	$	30,774,408

At December 31, 2017 and 2016, the net book value of assets acquired through capital leases reported in the consolidated balance sheets as property and equipment was $131,303 and $210,085, respectively. Amortization of capital leases has been included in depreciation expense. For the periods ended December 31, 2017, 2016 and 2015, rental expense on operating leases was $7,582,665, $2,548,005 and $1,539,765, respectively.

See Note 9 for a discussion of rental transactions with related parties.

Note 9. Related-Party Transactions And Obligations

In January 2017, the Company entered into an Amended and Restated Lease Agreement for its laboratory location in Southfield, Michigan. The primary purpose of this amendment was to provide for expanded construction of the laboratory facility and the parking deck. Additionally, the lease term was extended to 15 years from the date the expanded laboratory facility becomes available. This lease is with a related party (ADXI) and is paid on a net basis; consequently, the Company is responsible for maintenance, property insurance, and real estate taxes. Total related party rent expense for the years ended December 31, 2017 and 2016, was $3,560,305 and $1,146,307, respectively. There was no related-party rent expense for the year ended December 31, 2015. Future minimum lease payments under this lease are included in Note 8.

Also, the Company has made a commitment to invest $17,350,000 in G3 over the period from July 2016 to May 2019 (See Note 6). At December 31, 2017, the outstanding amount of that commitment was $8,654,859 and that balance is scheduled to be paid by 2019.

Note 10. Obligations Under Bank Loans

Line of Credit and Letter of Credit

In January 2016, the Company entered into a $20,000,000 line of credit with a bank, which was amended in February 2018. This facility is secured by the company's accounts receivable, charged an interest rate of one-month LIBOR plus 1.90% during 2017 and expires in March 2019. Advances under this agreement are limited to 80% of eligible accounts receivable. Eligible accounts receivable are defined as those accounts less than 120 days old. Additionally, the agreement has a concentration cap prohibiting advances on any accounts from a single payor that represents more than 25% of total outstanding accounts receivable as well as any accounts representing greater than 20% from Medicare/Medicaid. The line of credit also contains certain financial covenants (fixed charge coverage ratio and minimum tangible net worth ratio) as well as customary negative covenants which limit indebtedness and dividend distributions, among others. As of December 31, 2017, there was $4,794,614 outstanding on the line of credit.

In June 2016, the Company entered into an Amended and Restated Loan Agreement for the $20,000,000 line of credit. This agreement redefined the use of the line of credit commitment to also include the $4,000,000 standby letter of credit. This letter is for the benefit of the primary real estate lender associated with the Company's expansion of its laboratory facilities in Southfield, Michigan and Clermont, Florida. This letter renews annually and will no longer be required after August 2019 under the terms of the Company's lease agreement. The use of this line to fund the letter of credit carries an interest charge of one month LIBOR plus 1.9%, as well as an annual renewal fee of $40,000. As additional security, the Company has agreed to maintain a $2,000,000 ($2,500,000 at December 31, 2016) depository account with the real estate lender's bank until all tenant improvements are completed and the conditions for the final construction draw have been satisfied. This depository account is recorded as restricted cash on the consolidated balance sheets.

As indicated above, the Company entered into a second amendment to the line of credit, which became effective on February 24, 2018. The second amendment (a) extended the expiration date, (b) replaced the tangible net worth ratio requirement with a funded debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio of not less than 2.00:1.00 and, (c) increased the fixed charge coverage ratio from 1.00:1.50 to 1.00:2.50.

Equipment Loans

During the years ended December 31, 2017 and 2016, the Company entered into the following equipment loans:

		2017		2016
$5.5 million, due June 2020, 3.50%	$	3,528,425	$	4,854,604
$7.6 million, due May 2021, 3.20% - 3.42%		6,749,257		-
$2.0 million, due June 2022, 3.33%		1,845,739		-
	$	12,123,421	$	4,854,604

Note 10. Obligations Under Bank Loans (Continued)

Aggregate maturities of equipment loans at December 31, 2017, are due in future years as follows:

Years Ending December 31,		
2018	$	3,203,848
2019		3,314,883
2020		2,685,691
2021		2,020,527
2022		898,472
	$	12,123,421

Each of the loan agreements above contain certain financial and operating covenants and restrictions with which the Company must comply as well as periodic reporting requirements.

Note 11. Stockholders' Equity and Capital Formation

Equity

The Company is owned by 17 shareholders all of whom are individual investors and their related trusts. The officers and other key personnel hold 84% of the outstanding stock, and the remaining shareholders are absentee owners that have no management influence.

The Company has been created as an S Corporation. Consequently, the Company will make periodic distributions to fund federal and state income tax obligations of the shareholders as well as to distribute earnings at the discretion of the Board. Distributions recorded for the years ended December 31, 2017, 2016 and 2015, totaled $17,914,268, $96,790,428 and $5,504,321, respectively.

On October 31, 2016, a Co-Founder of the Company retired. A Settlement Agreement and Release was signed with the Co-Founder on February 28, 2015, for a total of $20,000,000. The Agreement redeemed the Co-Founder's 100 shares of Company stock, which represented 5.102% of the Company's outstanding shares, for $18,800,000 and paid a bonus in the amount of $1,200,000 which was reflected in the consolidated balance sheets in accrued expenses at December 31, 2016. The Company paid $7,100,000 of the stock redemption agreement on June 1, 2017. The remainder of the agreement is scheduled to be paid as follows: $5,850,000 on June 1, 2018 and $5,850,000 on June 1, 2019.

Stock Compensation

On August 31, 2013, the Company adopted a Nonstatutory Stock Option Plan (Plan). The Plan authorized a total of 98 shares of common stock options to be granted to option holders. On September 18, 2017, the Plan was amended to increase the number of authorized common stock reserved for issuance to 177 shares. The Plan provides eligible employees stock option grants to purchase shares of Company common stock at an exercise price no less than the fair market value of the stock on the date of grant. The stock options are subject to forfeiture if employment terminates prior to the end of the vesting period prescribed by the Board of Directors. Options are subject only to time vesting requirements. Stock options expire on the date designated by the Board of Directors, but in no event more than ten years from the date of grant.

Note 11. Stockholders' Equity and Capital Formation (Continued)

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. Expected volatility is based upon implied volatilities from comparable public company stock prices. The expected term represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the U.S. Treasury yield curve for bonds with maturities of three to seven years in effect at the time of grant.

The weighted average fair value of options granted and assumptions used in valuing options granted in the periods presented are:

		2017		2016
Weighted average fair value of options at grant date	$	44,198	$	22,814
Expected volatility		31%		32%
Dividend yield		0%		0%
Risk-free interest rate		0.70%		1.60%
Expected holding period, in years		2.9-3.8		4.5-5.2

No options were granted during the year ended December 31, 2016. A summary of option activity as of December 31, 2017, and changes during the year then ended is presented below:

	Options		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Outstanding at January 1, 2017	98.0	$	4,231	-
Granted	39.8	$	188,000	-
Exercised	-	$	-	-
Forfeited	--	$	-	-
Outstanding at December 31, 2017	137.8	$	57,308	5.7 years
Vested or expected to vest at December 31, 2017	137.8	$	57,308	5.7 years
Exercisable at December 31, 2017	63.7	$	32,255	5.7 years

Note 11. Stockholders' Equity and Capital Formation (Continued)

A summary of the status of the Company's nonvested options as of December 31, 2017, and changes during the year then ended, is presented below:

	Nonvested Options		Weighted Average Grant Fair Value
Nonvested at January 1, 2017	49.0	$	915
Granted	39.8	$	44,198
Exercised	-	$	-
Vested	14.7	$	27,788
Forfeited	-	$	-
Nonvested at December 31, 2017	74.1	$	18,832

For the years ended December 31, 2017, 2016 and 2015, stock-based compensation expense of $452,649, $541,857 and $760,151, respectively, was recognized in general and administrative expense on the consolidated statements of income. This amount is included in the consolidated balance sheets in the stockholders' equity section as additional paid-in capital.

As of December 31, 2017, there was approximately $1,323,323 of total unrecognized compensation expense related to nonvested options granted under the Plan. The Cost is expected to be recognized over a weighted average period of approximately 1.7 years. The total fair value of options vested during the years ended December 31, 2017, 2016 and 2015, was $408,483, $1,093,327 and $317,353, respectively.

Note 12. Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of patient accounts receivable. The Company grants credit without collateral to patients, most of whom are U.S. residents and are insured under third-party agreements.

As of December 31, 2017 and 2016, the Company had concentration risk of 12% and 14%, respectively, with Medicare. With the exception of Medicare, the Company did not have any concentrations of credit risk with any one payor.

Note 13. Risks and Uncertainties

The Company, like other entities in the health care services industry is subject to certain inherent risks that require the use of certain management estimates in the preparation of the Company's consolidated financial statements and it is reasonably possible that a change in such estimates may occur.

The Company's operations are subject to a variety of federal, state, and local legal and regulatory risks, including without limitation the federal Anti-Kickback statute and the federal Ethics in Patient Referral Act (so-called Stark Law), which apply to virtually all companies engaged in the health care services industry. The Anti-Kickback statute prohibits, among other things, the offer, payment, solicitation or receipt of any form of remuneration in return for the referral of Medicare and Medicaid patients. The Stark Law prohibits, with limited exceptions, financial relationships between certain ancillary service providers and referring physicians.

Note 13. Risks and Uncertainties (Continued)

The Medicaid and Medicare programs are highly regulated. Compliance with laws and regulations governing the Medicare and Medicaid programs is subject to government review and interpretation, as well as significant regulatory action, including fines, penalties and possible exclusion from the Medicare and Medicaid programs. The failure of the Company to comply with applicable reimbursement regulations could adversely affect the Company's business. It is not possible to quantify fully the effect of potential legislative or regulatory changes, the administration of such legislation or any other governmental initiatives on the Company's business. Accordingly, there can be no assurance that the impact of these changes or any future health care legislation will not adversely affect the Company's business. There can be no assurance that payments under governmental and private third-party payor programs will be timely, will remain at levels comparable to present levels or will, in the future, be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs. The Company's financial condition and results of operations may be materially and adversely affected by the reimbursement process, which in the health care services industry is complex and can involve lengthy delays between the time that revenue is recognized and the time that reimbursement amounts are settled. In addition, under the Medicare program, if the federal government makes a formal demand for reimbursement, even related to contested items, payment must be made for those items before the provider is given an opportunity to appeal and resolve the case.

The Company has not been involved in any claims or demands raised by the Medicare or Medicaid programs, or by the United States Department of Justice (DOJ), which is the enforcement arm of the federal programs.

During the normal course of operations, the Company has been named a party in various legal proceedings. Any costs that management estimates may be paid related to these proceedings are accrued when the liability is considered probable and the amount can be reasonably estimated. There can be no assurance, however, as to the ultimate outcome of any of these matters, and if all or substantially all of these legal proceedings were to be determined adverse to the Company, there could be a material adverse effect on the financial condition, results of operations or cash flows of the Company.

The Company purchases professional and general liability insurance to cover medical malpractice claims on claims made basis for employees that are practicing physicians. There are no material known claims or incidents that may result in the assertion of additional claims.