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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from N/A to N/A

Commission file number: 000-55039

BioTelemetry, Inc.
(Exact name of registrant as specified in its charter)

DELAWARE	**46-2568498**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1000 Cedar Hollow Road Malvern, Pennsylvania	**19355**
(Address of principal executive offices)	(Zip Code)

(610) 729-7000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $0.001 par value	NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $429,848,034 based on the closing sale price at which the common stock was last sold on June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter.

As of February 17, 2017, 28,370,987 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for its 2017 annual meeting of stockholders, which proxy statement will be filed no later than 120 days after the close of the Registrant's fiscal year

ended December 31, 2016, are hereby incorporated by reference in Part III of this Annual Report on Form 10-K.

BioTelemetry, Inc.
Annual Report on Form 10-K
For The Fiscal Year Ended December 31, 2016

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Unless the context otherwise indicates or requires, the terms "we," "our," "us," "BioTelemetry" and the "Company," as used in this Annual Report on Form 10-K, refer to BioTelemetry, Inc. and its directly and indirectly owned subsidiaries, including its legal subsidiaries, as a combined entity, except where otherwise stated or where it is clear that the terms mean only BioTelemetry, Inc. exclusive of its subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This document includes certain forward looking statements within the meaning of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995 regarding, among other things, our growth prospects, the prospects for our products and our confidence in our future. These statements may be identified by words such as "expect," "anticipate," "estimate," "intend," "plan," "believe," "promises" and other words and terms of similar meaning. Examples of forward looking statements include statements we make regarding our ability to increase demand for our products and services, to leverage our Mobile Cardiac Outpatient Telemetry ("MCOT™") platform to expand into new markets to grow our market share, our expectations regarding revenue trends in our segments and the achievement of cost efficiencies through process improvement and gross margin improvements. Such forward looking statements are based on current expectations and involve inherent risks and uncertainties, including important factors that could delay, divert or change any of these expectations, and could cause actual outcomes and results to differ materially from current expectations. These factors include, among other things:

- the effectiveness of our cost savings initiatives;
- our ability to educate physicians and continue to obtain prescriptions for our products and services;
- changes to insurance coverage and reimbursement levels by Medicare and commercial payors for our products and services;
- our ability to attract and retain talented executive management and sales personnel;
- our ability to identify acquisition candidates, acquire them on attractive terms and integrate their operations into our business;
- the commercialization of new products;
- our ability to obtain and maintain required regulatory approvals for our products, services and manufacturing facilities;
- changes in governmental regulations and legislation;
- our ability to obtain and maintain adequate protection of our intellectual property;
- acceptance of our new products and services;
- adverse regulatory action;
- interruptions or delays in the telecommunications systems that we use;
- our ability to successfully resolve outstanding legal proceedings; and
- the other factors that are described in Item 1A. "Risk Factors" of this Annual Report on Form 10-K.

We undertake no obligation to publicly update any forward looking statement, whether as a result of new information, future events, or otherwise, except as may be required by law.

PART I

Item 1. Business

Overview

BioTelemetry, Inc. provides monitoring services and digital population health management in a healthcare setting, medical device manufacturing and centralized core laboratory services for clinical research. Since we became focused on cardiac monitoring in 1999, we have developed a proprietary integrated patient management platform that incorporates a wireless data transmission network, Food and Drug Administration ("FDA") cleared algorithms and medical devices and 24-hour monitoring service centers.

BioTelemetry operates under three reportable segments: (1) Healthcare, (2) Research and (3) Technology. The Healthcare segment, which generated 79% of our revenue in 2016, is focused on the diagnosis and monitoring of cardiac arrhythmias or heart rhythm disorders. We offer cardiologists and electrophysiologists a full spectrum of solutions which provides them with a single source of cardiac monitoring services. These services range from the differentiated mobile cardiac telemetry service ("MCT"), which we market as Mobile Cardiac Outpatient Telemetry™ ("MCOT™") or External Cardiac Ambulatory Telemetry ("ECAT"), to wireless and trans telephonic event, traditional Holter, extended-wear Holter, Pacemaker and International Normalized Ratio ("INR") monitoring. The Research segment, which generated 16% of our revenue in 2016, is engaged in central core laboratory services providing cardiac monitoring, imaging services, scientific consulting and data management services for drug and medical device trials. The Technology segment, which generated 5% of our revenue in 2016, focuses on the development, manufacturing, testing and marketing of medical devices to medical companies, clinics and hospitals.

Business Strategy

Our goals are to solidify our position as the leading provider of outpatient cardiac monitoring services, expand our presence in the research market and leverage our monitoring platform in new markets. The key elements of the business strategy by which we intend to achieve these goals include:

- ***Increase Demand for Our Comprehensive Cardiac Monitoring Solutions.*** We believe that we can increase demand for our comprehensive portfolio of outpatient cardiac monitoring solutions by educating cardiologists, electrophysiologists and neurologists on the benefits of using mobile cardiac telemetry to meet their arrhythmia monitoring needs, stressing the increased diagnostic yield and their ability to use the clinically significant data to make timely interventions and guide more effective treatments.

- ***Expand Our Presence in the Research Market.*** In December 2010, we entered the core lab services business through our acquisition of Agility Centralized Research. We later were able to expand our presence in clinical research with our acquisition of Cardiocore Lab, LLC ("CardioCore") in August 2012 and our purchase of the assets of RadCore Lab LLC ("RadCore") in June 2014. In 2016, we further expanded our core lab capabilities with the acquisition of VirtualScopics Inc. ("VirtualScopics"), a leading provider of clinical trial imaging solutions. We continue to focus our efforts on increasing our presence in the research market, and on becoming a preferred global provider as it provides us with the ability to diversify our service offerings.

- ***Leverage Our Core Competencies to New Market Opportunities.*** We believe our core competencies can be leveraged for applications in multiple markets. While our initial focus has been on arrhythmia diagnosis and monitoring, we intend to expand into new market areas that require outpatient or ambulatory monitoring and management. In line with this goal, we acquired Telcare, the first company to receive FDA clearance for a cellular-enabled Blood Glucose

Monitoring ("BGM") system, increasing the Company's presence in the large and rapidly growing digital population health management market.

Healthcare

The Healthcare segment, operating as CardioNet, LLC ("CardioNet") and Heartcare Corporation of America, Inc. ("Heartcare"), is focused on the diagnosis and monitoring of cardiac arrhythmias, or heart rhythm disorders. We provide cardiologists and electrophysiologists who prefer to use a single source of cardiac monitoring services with a full spectrum of solutions, ranging from our differentiated MCT services to event and Holter monitoring. We also provide Pacemaker and INR monitoring.

Our MCOT™ and ECAT services incorporate a lightweight patient-worn sensor attached to electrodes that capture two-channel electrocardiogram ("ECG") data, measuring electrical activity of the heart, on a compact wireless handheld monitor. The monitor analyzes incoming heartbeat-by-heartbeat information from the sensor on a real-time basis by applying proprietary algorithms designed to detect arrhythmias. The monitor can detect an arrhythmic event even in the absence of symptoms noticed by the patient. When the monitor detects an arrhythmic event, it automatically transmits the ECG to our Monitoring Centers. At the Monitoring Centers, which operate 24/7, experienced certified cardiac monitoring specialists analyze the sent data, respond to urgent events and report results in the manner prescribed by the physician. The MCOT™ and ECAT devices employ two-way wireless communications, enabling continuous transmission of patient data to the Monitoring Centers and permitting physicians to remotely adjust monitoring parameters and request previous ECG data from the memory stored in the monitor. The MCOT™ and ECAT devices have the capability of storing 30 days of continuous ECG data, in contrast to a maximum of 10 minutes for a typical event monitor, and a maximum of 24 hours for a typical Holter monitor. In 2016, we obtained FDA approval of our next generation MCOT™ device, the MCOT™ Patch. The MCOT™ Patch is a four-lead, two-channel system which provides the same best in class technology as the current MCOT™, in a more convenient form factor. The MCOT™ Patch is expected to be commercially available in 2017.

Our event monitoring services provide physicians with the flexibility to prescribe wireless event monitors, digital loop event monitors, memory loop event monitors and non-loop event monitors. Event data is transmitted, either through automatic transmission of event data with wireless event monitors or through telephonic transmission of stored event data with our traditional event monitors, to one of our event monitoring centers in, where our trained cardiac technicians analyze the data.

Traditional Holter and extended-wear Holter monitors store an image of the electrical impulses of every heartbeat or irregularity in digital format on a compact flashcard. The flashcard is mailed or the data is sent electronically through a secure web transfer to one of our Holter labs, where our trained cardiac technicians analyze the data. Our next generation Holter monitor, the CardioKey™ launched in 2015 is a small, lightweight cardiac monitor which continuously stores up to 14 days of cardiac images.

We market our services throughout the United States and receive reimbursement for the monitoring provided to patients from Medicare and other third-party commercial payors.

Research

The Research segment, operating as Cardiocore and VirtualScopics, is engaged in central core laboratory services that provide cardiac monitoring, imaging services, scientific consulting and data management services for drug, medical treatment and device trials. The centralized services include ECG, Holter monitoring, ambulatory blood pressure monitoring ("ABPM"), echocardiography ("ECHO"), multigated acquisition scan ("MUGA"), a full range of imaging services, protocol development, expert reporting and statistical analysis. Our imaging services offerings were bolstered by the 2016 acquisition of VirtualScopics and provides services in the cardiovascular, oncology, musculoskeletal and neurologic therapeutic areas. We also provide a full range of support services that

include project coordination, setup and management, equipment rental, data transfer, processing, analysis and 24/7 customer support and site training. Our data management systems enable complete customization for sponsors' preferred data specifications and our web service, CardioPortal™, provides access to rich data from any web browser, without client-side plug-ins.

We entered the research field through the acquisition of Agility Centralized Research in December 2010, and later expanded our presence with the acquisition of Cardiocore in August 2012 and RadCore in June 2014. We further expanded our research offerings with the 2016 acquisition of VirtualScopics, a leading provider of clinical trial imaging solutions. Through these acquisitions, we gained global experience in central core laboratory services, which includes experience in Phase I-IV and Thorough QT Trials. Our primary customers are pharmaceutical companies and contract research organizations. We operate locations in Maryland, California, New York, London, UK, and Tokyo, Japan, which support sponsors and sites in Eastern and Western Europe, Russia and Asia-Pacific, North and South America, Africa and the Middle East.

Technology

The Technology segment, operating as Braemar Manufacturing, LLC ("Braemar"), Universal Medical, Inc. ("UMI"), BioTelemetry Belgium BVBA. ("BioTelemetry Belgium") and BioTelemetry Technology ApS ("BioTelemetry Denmark"), focuses on the manufacturing, engineering and development of non-invasive cardiac monitors for leading healthcare companies worldwide. We have been able to build successful customer relationships by providing reliable, quality products and engineering services. We offer contract manufacturing services, developing and producing devices to the specific requirements set by customers. Braemar and UMI currently manufacture the cardiac monitoring devices utilized by our Healthcare segment.

Braemar and UMI manufacture various devices including, but not limited to, cardiac event monitors, digital Holter monitors and MCT monitors. Our facilities located in San Diego, CA, Eagan, MN and Ewing, NJ are responsible for research and product development under FDA guidelines. We operate BioTelemetry Belgium in Zaventem, Belgium, which imports and distributes our devices to the international markets. Manufacturing of devices is performed in our Eagan, MN and Ewing, NJ facilities. We also operate BioTelemetry Denmark, which includes the assets acquired in 2016 of the ePatch division of DELTA Danish Electronics, Light and Acoustics ("DELTA"). BioTelemetry Denmark manufactures and sells devices to customers in the international market. We believe that our manufacturing facilities will be sufficient to meet our manufacturing needs for the foreseeable future.

In addition, in December 2016, we acquired Telcare, the first company to receive FDA clearance for a cellular-enabled BGM system. This wireless BGM system transmits real-time results to a cloud-based analytical engine, which synthesizes the data, monitors trends and provides caregivers with critical information about the patients' health status and the potential need to intervene. Telcare's BGM devices are manufactured in our Concord, MA facility.

We believe our manufacturing operations are in compliance with regulations mandated by the applicable governing bodies. We are subject to unannounced inspections by the FDA and we successfully completed routine audits by the FDA in December 2016 in Ewing, NJ, in February 2016 in Concord, MA and in February 2013 in Eagan, MN with no significant findings noted or warnings issued. Our Eagan, MN, San Diego, CA, Ewing, NJ and Concord, MA facilities are ISO 13485 certified and registered with the FDA. ISO 13485 is a quality system standard used by medical companies providing design, development, manufacturing, installation and servicing, and is the basis for acquiring European Conformity Marking ("CE Marking") for medical device product distribution in the European Union. Many of our devices also carry a CE Marking.

There are a number of critical components and sub-assemblies in the devices. The vendors for these materials are qualified through stringent evaluation and testing of their performance. We

implement a strict no-change policy with our contract manufacturers to ensure that no components are changed without our approval.

Research and Development

For the years ended December 31, 2016, 2015 and 2014, we spent $8.4 million, $7.1 million and $7.4 million, respectively, on research and development expenses focused on developing new products and enhancements to our existing products. We intend to continue to develop proof of superiority of our MCOT™ technology through clinical data. The three primary sources of clinical data that we have used to date to illustrate the clinical value of MCOT™ include: (i) a randomized 300-patient clinical study; (ii) our cumulative actual monitoring experience from our databases; and (iii) numerous other published studies.

We sponsored and completed a 17-center, 300-patient randomized clinical trial in March 2007. We believe this study, at that time, represented the largest randomized study comparing two non-invasive arrhythmia monitoring methods. The study was designed to evaluate patients who were suspected to have an arrhythmic cause underlying their symptoms, but who were a diagnostic challenge given that they had already had a non-diagnostic 24-hour Holter monitoring session or four hours of telemetry monitoring within 45 days prior to enrollment. Patients were randomized to either MCOT™ or to a loop event monitor for up to 30 days. Of the 300 patients who were randomized, 266 patients who completed a minimum of 25 days of monitoring were analyzed (134 patients using MCOT™ and 132 patients using loop event monitors).

The study specifically compared the success of MCOT™ against loop event monitors in detecting patients with clinically significant arrhythmias and demonstrated the superiority of MCOT™ for confirming the diagnosis of these types of arrhythmias. The study also demonstrated the advantage of using MCOT™ compared to the loop event monitor in the detection of asymptomatic atrial fibrillation or flutter. Diagnosis and treatment of atrial fibrillation is important because it can lead to many other medical problems, including stroke. The study concluded that MCOT™ provided a significantly higher diagnostic yield, in detecting an arrhythmic event in patients with symptoms of cardiac arrhythmia, compared to traditional loop event monitoring, including such monitoring designed to automatically detect certain arrhythmias.

In addition to the aforementioned 300-patient randomized clinical trial, MCOT™ has been cited and referenced in a total of 40 publications and abstracts.

Sales and Marketing

We market our cardiac monitoring solutions through a direct sales force primarily to cardiologists, electrophysiologists and neurologists who are the physician specialists who most commonly diagnose and manage patients with arrhythmias. We sponsor peer-to-peer educational events and participate in targeted public relations opportunities. CardioNet is a leading member of the Remote Cardiac Service Provider Group. We market our research services to pharmaceutical companies, medical device companies, contract research organizations and academic research organizations. Cardiocore is a founding member and the first cardiac core lab to join the Cardiac Safety Research Consortium ("CSRC"). Through the CSRC, we are able to network with representatives of major pharmaceutical companies, as well as discuss key cardiac safety issues during the drug development process. Through the 2016 acquisition of VirtualScopics, we have broadened our research service offerings, allowing us to more favorably compete for research studies requiring a wider range of research services. We market our manufactured products to physicians, hospitals and other cardiac monitoring providers.

We attend trade shows and medical conferences to promote our various product and service offerings. The trade shows and conferences we attend are related to organizations such as: the Heart Rhythm Society, American College of Cardiology, Society of Thoracic Surgeons, European Society of

Cardiology, American Heart Association and the American Telemedicine Association. We also attend the Medica, DIA and Partnerships in Clinical Trials tradeshows as well as the annual Boston Atrial Fibrillation Conference.

Healthcare Reimbursement

In the Healthcare segment, services are billed to government and commercial payors using specific codes describing the services. Those codes are part of the Commercial Procedural Terminology ("CPT") coding system which was established by the American Medical Association ("AMA") to describe services provided by physicians and other suppliers. Physicians select the code that best describes the medical services being prescribed. Approximately 33% of our total revenue is subject to reimbursement from the Medicare program, a federal government health insurance program administered by the Centers for Medicare and Medicaid Services ("CMS"), at rates that are set nationally and adjusted for certain regional indices.

In addition to receiving reimbursement from Medicare, we enter into contracts with commercial payors to receive reimbursement at specified rates for our technical services. Such contracts typically provide for an initial term of between one and three years and provide for automatic renewal thereafter. Either party can typically terminate these contracts by providing between 60 and 120 days prior notice to the other party at any time following the end of the initial term of the agreement. The contracts provide for an agreed upon reimbursement rate, which in some instances is tied to the rate of reimbursement we receive from Medicare. Pursuant to these contracts, we generally agree to indemnify our commercial payors for damages arising in connection with the performance of our obligations under these agreements.

In addition to receiving reimbursement from government and commercial payors, we have direct arrangements with physicians who may purchase our monitoring services and then submit claims for these services directly to commercial and government payors. In some cases, patients pay for their service out-of-pocket.

Competition

Although we believe that we have a leading market share in the mobile cardiac monitoring industry, the market in which our Healthcare segment operates is fragmented and characterized by a large number of smaller regional service providers. Additionally, several larger healthcare companies offer certain cardiac monitoring solutions, primarily Holter monitors. We believe that the principal competitive factors that impact the success of our cardiac monitoring solutions include some or all of the following:

- quality of our algorithms used to detect symptoms;
- quality of clinical data;
- ease of use and reliability of cardiac monitoring solutions for patients and physicians;
- technology performance, innovation, flexibility and range of application;
- timeliness and clinical relevance of new product introductions;
- quality and availability of customer support services;
- size, experience, knowledge and training of sales and marketing staff;
- brand recognition and reputation;
- relationships with referring physicians, hospitals, managed care organizations and other third-party payors;

- reporting capabilities;
- spectrum of solutions, ranging from our differentiated MCT services to event and Holter monitoring, making us a single source for cardiac monitoring services; and
- perceived value.

We believe that we compete favorably based on the factors described above. However, our industry is evolving rapidly and is becoming increasingly competitive and the basis on which we compete may change over time. In addition, if companies with substantially greater resources than ours enter our market, we will face increased competition.

Our Research segment competes directly with other core labs as well as contract research organizations that offer core lab services. We believe that we compete favorably based on our comprehensive cardiac and imaging service offerings, the scale of our operation and our ability to support the entire life cycle of new drug development.

Our Technology segment competes directly with other original equipment manufacturers. We believe that we compete favorably based on our suite of quality products and innovative solutions, our superior customer service and our extensive industry experience.

Intellectual Property

We rely on a combination of intellectual property laws, non-disclosure agreements and other measures to protect our proprietary rights. We attempt to protect our intellectual property rights by filing patent applications for new features and products we develop. In addition, we also seek to maintain certain intellectual property and proprietary know-how as trade secrets, and generally require our partners to execute non-disclosure agreements prior to any substantive discussions or disclosures of our technology or business plans. Our business and competitive positions are dependent in part upon our ability to protect our proprietary technology and our ability to avoid infringing the patents or proprietary rights of others.

Patents. As of December 31, 2016, we had 49 issued United States patents, of which four are United States design patents. We also have 111 issued foreign patents, bringing our total number of issued patents worldwide to 160. In furtherance of our overall global intellectual property strategy, we have approximately 56 patent applications currently on file worldwide. We filed these patent applications in the United States, Europe, Canada, China, Korea, Japan and Australia. Our issued United States patents expire between 2017 and 2032. While we have several patents expiring between 2017 and 2020, including patents that relate, in part, to our key products, we do not believe such expirations will have a material impact on our ability to compete in the short-term since our technology is typically covered by several patents, creating a system of protected technology.

Trademarks and Copyrights. As of December 31, 2016, we had 21 trademark registrations in the United States, eight pending trademark applications in the United States and one trademark registration in Europe for a variety of word marks and slogans. Our trademarks are an integral part of our business and include, among others, the registered trademark CardioNet®, and the unregistered trademarks Mobile Cardiac Outpatient Telemetry™, MCOT™ and CardioPortal™. We also have a significant amount of copyright-protected materials.

Government Regulation

The health care industry is highly regulated, with no guarantee that the regulatory environment in which we operate will not change significantly and adversely in the future. We believe that health care legislation, rules, regulations and interpretations will change, and we expect to modify our agreements and operations in response to these changes.

U.S. Food and Drug Administration. The medical devices that we use to provide patient monitoring services are regulated by the FDA under the Federal Food, Drug, and Cosmetic Act. The basic regulatory requirements that manufacturers of medical devices distributed in the United Sates must comply with are Premarket Notification 510(k), unless exempt, or Premarket Approval, establishment registration, medical device listing, quality system regulation, labeling requirements and medical device reporting.

The algorithms we use in the MCT service maintain FDA 510(k) clearance as a Class II device ("510(k) Clearance"). On October 28, 2003, the FDA issued a guidance document entitled: "Class II Special Controls Guidance Document: Arrhythmia Detector and Alarm." In addition to conforming to the general requirements of the Federal Food, Drug, and Cosmetic Act, including the Premarket Notification requirements described above, all of our cardiac related 510(k) submissions address the specific issues covered in this special controls guidance document. The algorithms we use in the BGM service also maintain FDA 510(k) Clearance as a Class II device.

Failure to comply with applicable regulatory requirements can result in enforcement action by the FDA, which may include certain sanctions, such as fines, injunctions and civil penalties; recall or seizure of our devices and intellectual property; operating restrictions; partial suspension or total shutdown of production; withdrawal of 510(k) Clearance of new components or algorithms; withdrawal of 510(k) Clearance already granted to one or more of our existing components or algorithms; and criminal prosecution.

CE Marking. Medical devices distributed within the European Economic Area require a CE Marking. ISO 13485 is a quality system standard used by medical companies providing design, development, manufacturing, installation and servicing, and is the basis for acquiring CE Marking for medical device product distribution in the European Union. Failure to maintain appropriate CE Marking could have an adverse effect on our ability to sell our devices within the European Union.

Health Care Fraud and Abuse. In the United States, there are state and federal anti-kickback laws that generally prohibit the payment or receipt of kickbacks, bribes or other remuneration in exchange for the referral of patients or other health care-related business. In addition, federal law (e.g., the "Stark" law) and some state laws prohibit the existence of certain financial relationships between referring physicians and health care providers and suppliers unless those relationships meet the requirements of specific exceptions to the law. Anti-kickback laws constrain our sales, marketing and promotional activities by limiting the kinds of financial arrangements we may have with physicians, medical centers and others in a position to purchase, recommend or refer patients for our cardiac monitoring services or other products or services we may develop and commercialize. Due to the breadth of some of these laws, it is possible that some of our current or future practices might be challenged under one or more of these laws.

Furthermore, federal and state false claims laws prohibit anyone from presenting, or causing to be presented, claims for payment to third-party payors that are false or fraudulent. Violations may result in substantial civil penalties, including treble damages, and criminal penalties, including imprisonment, fines and exclusion from participation in federal health care programs. The Federal False Claims Act also contains "whistleblower" or "qui tam" provisions that allow private individuals to bring actions on behalf of the government alleging that the defendant has defrauded the government. Various states have enacted laws modeled after the Federal False Claims Act, including "qui tam" provisions, and some of these laws apply to claims filed with commercial insurers. Any violations of anti-kickback and false claims laws could have a material adverse effect on our business, financial condition and results of operations.

The Patient Protection and Affordable Care Act. On March 23, 2010, the Patient Protection and Affordable Care Act was signed into law and on March 30, 2010, the Health Care and Education Reconciliation Act of 2010 was signed into law. Together, the two measures, collectively known as the Affordable Care Act, make the most sweeping and fundamental changes to the United States health care system since the creation of Medicare and Medicaid. The Affordable Care Act includes numerous health-related provisions with various effective dates, including expanded Medicaid eligibility, a requirement that most individuals have health insurance or pay a penalty, new requirements for health plans and insurance policy standards, the establishment of health insurance exchanges, changes to Medicare payment systems to encourage more cost-effective care and new and expanded tools to address fraud and abuse. Section 6002 of the Affordable Care Act requires manufacturers of medical devices and other products reimbursed by Medicare to report annually to the government certain payments to physicians and teaching hospitals.

As a result of the passage of the Affordable Care Act, manufacturers of certain medical devices are subject to an excise tax, applicable to sales of taxable medical devices beginning January 1, 2013. Several devices that are manufactured by our Technology segment are subject to these taxes. The tax equals 2.3% of the sale price of the applicable medical device. As a manufacturer, we are responsible for remitting these taxes to the federal government. However, on December 18, 2015, the Consolidated Appropriations Act of 2016, among other things, included a moratorium on the medical devices tax commencing on January 1, 2016 and ending on December 31, 2017.

Health Insurance Portability and Accountability Act of 1996. The Health Insurance Portability and Accountability Act ("HIPAA") was enacted by the United States Congress in 1996. Numerous state and federal laws govern the collection, dissemination, use and confidentiality of patient and other health information, including the administrative simplification and privacy provisions of HIPAA. Historically, state law has governed confidentiality issues, and HIPAA preserves these laws to the extent they are more protective of a patient's privacy or provide the patient with greater access to his or her health information. As a result of the implementation of the HIPAA regulations, many states are considering revisions to their existing laws and regulations that may or may not be more stringent or burdensome than the federal HIPAA provisions. HIPAA applies directly to covered entities, which include health plans, health care clearinghouses and many health care providers. The HIPAA statute and its implementation rules are concerned primarily with the privacy of protected health information when it is used and/or disclosed; the confidentiality, integrity and availability of electronic health information; and the content and format of certain identified electronic health care transactions. The laws governing health care information privacy and security impose civil and criminal penalties for their violation and can require substantial expenditures of financial and other resources for information technology system modifications and for ongoing operational compliance.

Medicare. Medicare is a federal program administered by CMS and its Medicare administrative contractors. The Medicare program provides qualified persons with health care benefits that cover the major costs of medical care within prescribed limits, subject to certain deductibles and co-payments. The Medicare program has established guidelines for local and national coverage determinations and reimbursement of certain equipment, supplies and services, which are subject to change. The methodology for determining coverage status and the basis and amount of Medicare reimbursement varies based upon, among other factors, the setting in which a Medicare beneficiary receives health care items and services.

The Medicare program is subject to statutory and regulatory changes, retroactive and prospective rate adjustments, administrative rulings, interpretations of policy, Medicare administrative contractor determinations and government funding restrictions. All of these policies may materially increase or decrease the rate of program payments to health care facilities and other health care suppliers and practitioners, including those paid for our cardiac monitoring services. Any changes in federal

legislation, regulations or other policies affecting Medicare coverage or reimbursement relative to our cardiac monitoring services could have an adverse effect on our performance.

Our facilities in Malvern, PA, San Francisco, CA, Ewing, NJ and Eagan, MN are enrolled in Medicare as Independent Diagnostic Testing Facilities ("IDTFs"), which is defined by CMS as an entity independent of a hospital or physician's office in which diagnostic tests are performed by licensed or certified non-physician personnel under appropriate physician supervision. Medicare has set very detailed performance standards that every IDTF must meet in order to obtain or maintain its billing privileges, including requirements to, among other things, operate in compliance with all applicable federal and state licensure and regulatory requirements for the health and safety of patients; maintain a physical facility on an appropriate site meeting specific criteria; have a comprehensive liability insurance policy of at least $0.3 million per location; disclose certain ownership information; have its testing equipment calibrated and maintained in accordance with specific standards; have technical staff on duty with the appropriate credentials to perform tests; and permit on-site inspections. These requirements are subject to change. We believe that our facilities are in compliance with the IDTF standards.

Environmental Regulation. We use materials and products regulated under environmental laws, primarily in the manufacturing and sterilization processes. While it is difficult to quantify, we believe the ongoing cost of compliance with environmental protection laws and regulations will not have a material impact on our business, financial position or results of operations.

Supply Chain Diligence and Transparency

Section 1502 of the Dodd Frank Wall Street Reform and Consumer Protection Act was adopted to further the humanitarian goal of ending the violent conflict and human rights abuses in the Democratic Republic of the Congo and adjoining countries ("DRC"). This conflict has been partially financed by the exploitation and trade of tantalum, tin, tungsten and gold (so called "conflict minerals") that originate from mines or smelters in the region. SEC rules adopted in August 2012 under Section 1502 require reporting companies to disclose annually on Form SD whether any such minerals that are necessary to the functionality or production of products they manufactured, or for which they contracted the manufacture, during the prior calendar year did, in fact, originate in the DRC and, if so, if the related revenue was used to support the conflict and/or abuses.

Some of the products manufactured by Braemar, UMI, BioTelemetry Denmark and Telcare may contain tantalum, tin, tungsten and/or gold. Consequently, in compliance with United States Securities and Exchange Commission ("SEC") rules, we have adopted a policy on conflict minerals, which can be found on our website, and have implemented a supply chain due diligence and risk mitigation process with reference to the Organization for Economic Cooperation and Development ("OECD") guidance approved by the SEC to assess and report annually whether our products are "conflict free."

We support efforts to end the violence and human rights abuses in the mining of certain minerals in the DRC. We expect our suppliers to comply with the OECD guidance and industry standards and to ensure that their supply chain conforms to our policy and the OECD guidance. We will mitigate identified risks by working directly with our suppliers; however, we may need to alter our sources of supply or modify our product design if circumstances require. We may incur certain costs in order to comply with these disclosure requirements, including for due diligence to determine the source of the subject minerals used in our products and other potential changes to products, processes or sources of supply as a consequence of such verification activities. In addition, these rules could adversely affect the sourcing, supply and pricing of materials used in our products throughout the supply chain beyond our control, whether or not the subject minerals are "conflict free."

Product Liability and Insurance

The design, manufacture and marketing of medical devices and services of the types we produce entail an inherent risk of product liability claims. In addition, we provide information to health care providers and payors upon which determinations affecting medical care are made, and claims may be made against us resulting from adverse medical consequences to patients resulting from the information we provide. To protect ourselves from product liability claims, we maintain professional liability and general liability insurance on a "claims made" basis. Insurance coverage under such policies is contingent upon a policy being in effect when a claim is made, regardless of when the events which caused the claim occurred. While, as of the date of this Report, a material product liability claim has never been made against us and we believe our insurance policies are adequate in amount and coverage for our current operations, there can be no assurance that the coverage maintained by us is sufficient to cover all future claims. In addition, there can be no assurance that we will be able to obtain such insurance on commercially reasonable terms in the future.

Employees

As of December 31, 2016, we employed 1,087 employees. None of our employees are represented by a collective bargaining agreement. We consider our relationship with our employees to be good.

Available Information

We file electronically with the SEC our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act"). We make these reports available on our website at *http://www.gobio.com*, free of charge. Copies of these reports are made available as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Further copies of these reports are located at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding our filings, at *http://www.sec.gov*.

Item 1A. Risk Factors

We have a history of net losses and future profitability is uncertain.

We previously incurred net losses for each annual period from our inception through December 31, 2014. For the year ended December 31, 2014, we realized a net loss of $9.8 million. For the years ended December 31, 2016 and 2015, we achieved net income of $53.4 million and $7.4 million, respectively. We may not be able to sustain or increase profitability on a quarterly or annual basis. As of December 31, 2016, we had a total accumulated deficit of approximately $142.7 million.

Reimbursement by Medicare is highly regulated and subject to change and our failure to comply with applicable regulations could decrease our revenue, subject us to penalties or adversely affect our results of operations.

The Medicare program is administered by CMS, which imposes extensive and detailed requirements on medical product and services providers, including, but not limited to, rules that govern how we structure our relationships with physicians, how and when we submit reimbursement claims, how we operate our monitoring facilities and how and where we provide our arrhythmia monitoring solutions. Our failure to comply with applicable Medicare rules could result in the discontinuation of

our reimbursement under the Medicare payment program, a requirement to return funds already paid to us, civil monetary penalties, criminal penalties and/or exclusion from the Medicare program.

Changes in the reimbursement rate that commercial payors and Medicare will pay for our products and services could adversely affect our revenue.

We receive reimbursement for our products and services from commercial payors and from Medicare administrative contractors with jurisdiction in the state where the services are performed. In addition, our prescribing physicians receive reimbursement for professional interpretation of the information provided by our products and services from commercial payors or Medicare. Average commercial reimbursement rates have declined over a three and five year period. When commercial payors combine their operations, the combined company may elect to reimburse for our products and services at the lowest rate paid by any of the participants in the consolidation. If one of the payors participating in the consolidation does not reimburse for one of our products or services, the combined company may elect not to reimburse for such product or service. Additionally, commercial payors can typically terminate these contracts by providing between 60 and 120 days prior notice at any time following the end of the initial term of the agreement. In addition, CMS may reduce the reimbursement rate for our services, as it has in the past. Furthermore, CMS has adopted a complex new system for reimbursing Medicare physician services as required by the Medicare Access and CHIP Reauthorization Act of 2015. Under the new program, which began January 1, 2017, physicians will either report under the Merit-based Incentive Payment System or an Advanced Alternative Payment Model, and their 2017 performance will impact 2018 rates. We cannot predict the impact of this new framework on reimbursement for our services. A decrease in Medicare or commercial reimbursement rates or termination of commercial payor contracts would adversely affect our financial results.

The operation of our monitoring facilities is subject to rules and regulations governing IDTFs and state licensure requirements; failure to comply with these rules could prevent us from receiving reimbursement from Medicare and some commercial payors.

We have monitoring facilities in Malvern, PA, Eagan, MN, Ewing, NJ and San Francisco, CA that analyze the data obtained from cardiac monitors and report the results to physicians. In order for us to receive reimbursement from Medicare and some commercial payors, our monitoring centers must be certified as IDTFs. Certification as an IDTF requires that we follow strict regulations governing how the center operates, such as requirements regarding the experience and certifications of the technicians who review data transmitted from our monitors. These rules and regulations vary from location to location and are subject to change. If they change, we may have to change the operating procedures at our monitoring facilities, which could increase our costs significantly. If we fail to obtain and maintain IDTF certification, our services may no longer be reimbursed by Medicare and some commercial payors, which could have a material adverse impact on our business.

Our failure to maintain accreditation could impact our DMEPOS operations.

Accreditation is required by most of our managed care payors and became a mandatory requirement for all Medicare durable medical equipment, prosthetics, orthotics and supplies ("DMEPOS") providers effective October 1, 2009. In 2016, we acquired Telcare, a diabetes care management company. In 2017, Telcare completed a nationwide accreditation renewal process conducted by the Healthcare Quality Association on Accreditation, which renewed our accreditation for another three years. The Company will undergo the next survey cycle in 2020. If we lose accreditation, our failure to maintain accreditation could have a material adverse effect on our business, financial condition, results of operations, cash flow, capital resources and liquidity.

Failure to appropriately track and report certain payments to physicians and teaching hospitals may violate certain federal reporting laws and subject us to fines and penalties.

Section 6002 of the Affordable Care Act requires certain medical device manufacturers that produce devices covered by the Medicare and state Medicaid programs to report annually to the government certain payments to physicians and teaching hospitals. If we fail to appropriately track and report such payments to the government, we could be subject to civil fines and penalties, which could adversely affect the results of our operations.

Audits or denials of our claims by government agencies and private payors could reduce our revenue and have an adverse effect on our results of operations.

As part of our business operations, we submit claims on behalf of patients directly to, and receive payments from, Medicare, Medicaid and other third-party payors. We are subject to extensive government regulation, including requirements for submitting reimbursement claims under appropriate codes and maintaining certain documentation to support our claims. Medicare contractors and Medicaid agencies periodically conduct pre-and post-payment reviews and other audits of claims and are under increasing pressure to more closely scrutinize health care claims and supporting documentation. We have been and are currently subject to pre-and post-payment reviews as well as audits of claims under CMS' Recovery Audit Program and may experience such reviews and audits of claims in the future. Such reviews and similar audits of our claims could result in material delays in payment, as well as material recoupments or denials, which would reduce our net sales and profitability, or result in our exclusion from participation in the Medicare or Medicaid programs. We are also subject to similar review and audits from private payors, which may also result in material delays in payment and material recoupments and denials. In addition, state agencies may conduct investigations or submit requests for information relating to claims data submitted to private payors.

We have a concentrated number of payors and losing one of them would reduce our sales and adversely affect our business and operating results.

Medicare, our largest payor, represents a significant percentage of our revenue. For the year ended December 31, 2016, Medicare accounted for 33% of our total revenue. No other payor accounted for more than 10% of total revenue. Our agreements with commercial payors typically allow either party to the contract to terminate the contract by providing between 60 and 120 days prior written notice to the other party at any time following the end of the initial term of the contract. Our commercial payors may elect to terminate or not to renew their contracts with us for any reason and, in some instances, can unilaterally change the reimbursement rates they pay. A commercial payor who terminates or does not renew their contract with us may, or may not, alter their coverage of our services. In the event any of our key commercial payors terminate their agreements with us, elect not to renew or enter into new agreements with us upon expiration of their current agreements, or do not renew or establish new agreements on terms as favorable as are currently contracted, our business, operating results and prospects would be adversely affected.

Violation of federal and state laws regarding privacy and security of patient information may adversely affect our business, financial condition or operations.

The use and disclosure of certain health care information by health care providers and their business associates have come under increased public scrutiny. Federal standards under HIPAA establish rules concerning how individually-identifiable health information may be used, disclosed and protected. Historically, state law had governed confidentiality issues, and HIPAA preserves these laws to the extent they are more protective of a patient's privacy or provide the patient with more access to his or her health information. Additionally, the 2009 Health Information Technology for Economic and Clinical Health Act and associated changes to HIPAA impose additional requirements relating to the

privacy, security and transmission of individually identifiable health information. We must operate our business in a manner that complies with all applicable laws, both federal and state, and that does not jeopardize the ability of our customers to comply with all applicable laws. We believe that our operations are consistent with these legal standards. Nevertheless, these laws and regulations present risks for health care providers and their business associates that provide services to patients in multiple states. As we continue to see how government regulators and courts interpret and enforce HIPAA's requirements, we may need to adjust our interpretations of these laws and regulations over time. If a challenge to our activities is successful, it could have an adverse effect on our operations, may require us to forego relationships with customers in certain states and may restrict the territory available to us to expand our business. In addition, even if our interpretations of HIPAA and other federal and state laws and regulations are correct, we could be held liable for unauthorized uses or disclosures of patient information as a result of inadequate systems and controls to protect this information or as a result of the theft of information by unauthorized computer programmers who penetrate our network security.

Violation of these laws against us could have a material adverse effect on our business, financial condition and results of operations. For example, in 2011, we experienced the theft of two unencrypted laptop computers and, as a result, were required to provide notices under the HIPAA Breach Notification Rule. Although we have been in compliance with our obligations stemming from these incidents, there has yet to be an outcome to the ongoing investigation into the thefts by the United States Department of Health and Human Services' Office for Civil Rights. We are unable to predict what action, if any, might be taken in the future by the Office for Civil Rights or other governmental authorities as a result of this investigation or what impact, if any, the outcome of this matter might have on our results of operations.

The FDA may recommend a different approach to measuring the cardiac impact and safety of drugs as part of the approval process. Such changes could make the systems and processes of our research segment obsolete and adversely affect revenue and profitability.

As part of its approval process, the FDA has provided guidance reinforcing the need for cardiac safety testing of all compounds entering the blood stream. The requirements vary based on the type and history of compound. This testing is accomplished by different methods, including cardiac imaging such as MUGA and ECG analysis including measuring the QT/QTc interval for prolongation. We function as a core lab and have developed proprietary systems and processes to receive cardiac imaging studies and ECGs for analysis. It is possible that, in the future, the FDA may recommend a different approach for evaluating the cardiac impact and safety of compounds which may diminish the need for a core lab. This would considerably reduce the value of our existing systems and processes and would substantially decrease our revenue and profitability in our Research segment.

In December, 2015, the FDA published a report which called into question the need for certain QT studies. In a series of public meetings throughout 2016 discussing the report, FDA speakers indicated that certain studies were no longer mandatory and indicated that future regulations will include some combination of traditional study types along with early phase Exposure Response modeling. A new FDA White Paper is expected in 2017 which will clarify guidance around the performance of QT studies. We cannot assess the impact of this expected guidance at this time, but it may substantially decrease our revenue and profitability in our Research segment.

We are subject to numerous FDA regulations and decisions and it may be costly to comply with these regulations and decisions and to develop compliant products and processes.

The devices that we manufacture are classified as medical devices and are subject to extensive regulation by the FDA. Further, we maintain establishment registration with the FDA as a distributor of medical devices. FDA regulations govern manufacturing, labeling, promotion, distribution, importing, exporting, shipping and sale of these devices. Our devices and our arrhythmia detection algorithms

have 510(k) Clearance status from the FDA. Modifications to our devices or our algorithms that could significantly affect safety or effectiveness, or that could constitute a significant change in intended use, would require a new clearance from the FDA. If in the future we make changes to our devices or our algorithms, the FDA could determine that such modifications require new FDA clearance, and we may not be able to obtain such FDA clearances timely, or at all.

We are subject to continuing regulation by the FDA, including quality regulations applicable to the manufacture of our devices and various reporting regulations, as well as regulations that govern the promotion and advertising of medical devices. The FDA could find that we have failed to comply with one of these requirements, which could result in a wide variety of enforcement actions, ranging from a warning letter to one or more severe sanctions. These sanctions could include fines, injunctions and civil penalties; recall or seizure of devices; operating restrictions, partial suspension or total shutdown of production; refusal to grant 510(k) Clearance of new components or algorithms; withdrawing 510(k) Clearance already granted to one or more of our existing components or algorithms; and criminal prosecution. Any of these enforcement actions could be costly and significantly harm our business, financial condition and results of operations.

Our operations and our interactions with our physicians and patients are subject to regulation aimed at preventing health care fraud and abuse and, if we are unable to fully comply with such laws, we could face substantial penalties.

Our operations may be directly or indirectly affected by various broad state and federal health care fraud and abuse laws, including the Federal Healthcare Programs' Anti-Kickback Statute and the Federal False Claims Act. For some of our services, we directly bill physicians or other health care entities, that, in turn, bill payors. Although we believe such payments and practices are proper and in compliance with laws and regulations, we may be subject to claims asserting that we have violated these laws and regulations. If our past or present operations are found to be in violation of these laws, we or our officers may be subject to civil or criminal penalties, including large monetary penalties, damages, fines, imprisonment and exclusion from Medicare and Medicaid program participation. Furthermore, if we knowingly file, or "cause" the filing of, false claims for reimbursement with government programs such as Medicare and Medicaid, we may be subject to substantial civil penalties, including treble damages. The Federal False Claims Act also contains "whistleblower" or "qui tam" provisions that allow private individuals to bring actions on behalf of the government alleging that the defendant has defrauded the government. In recent years, the number of suits brought in the medical industry by private individuals has increased dramatically. Various states have enacted laws modeled after the Federal False Claims Act, including "qui tam" provisions, and some of these laws apply to claims filed with commercial insurers. Even if we are not found to have violated any of these federal or state anti-fraud or false claims acts, the costs of defending these claims could adversely affect our results of operations.

The medical device industry is the subject of numerous governmental investigations into marketing and other business practices. These investigations could result in the commencement of civil and/or criminal proceedings, substantial fines, penalties, and/or administrative remedies, divert the attention of our management, and have an adverse effect on our financial condition and results of operations.

As mentioned above, we are subject to rigorous regulation by the FDA and numerous other federal, state and foreign governmental authorities. These authorities have been increasing their scrutiny of our industry. We occasionally receive subpoenas or other requests for information from state and federal governmental agencies, including, among others, the United States Department of Justice and the Office of Inspector General of Health and Human Services. These investigations typically relate primarily to financial arrangements with health care providers, regulatory compliance and product promotional practices.

We cooperate with these investigations and respond to such requests. However, when an investigation begins, we cannot predict when it will be resolved, the outcome of the investigation or its impact on us. An adverse outcome in one or more of these investigations could include the commencement of civil and/or criminal proceedings, substantial fines, penalties and/or administrative remedies, including exclusion from government reimbursement programs and entry into Corporate Integrity Agreements with governmental agencies. In addition, resolution of any of these matters could involve the imposition of additional and costly compliance obligations. Finally, if these investigations continue over a long period of time, they could divert the attention of management from the day-to-day operations of our business and impose significant administrative burdens, including cost, on us. These potential consequences, as well as any adverse outcome from these investigations or other investigations initiated by the government at any time, could have a material adverse effect on our financial condition and results of operations.

If we do not obtain and maintain adequate protection for our intellectual property, it may adversely affect the value of our technology and devices and future revenue and operating income.

Our business and competitive positions are in part dependent upon our ability to protect our proprietary technology. To protect our proprietary rights, we rely on a combination of trademark, copyright, patent, trade secret and other intellectual property laws, employment, confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements and protective contractual provisions with other third parties. We attempt to protect our intellectual property position by filing trademark applications and United States and international patent applications related to our proprietary technology, inventions and improvements that are important to the development of our business.

We do not believe that any single patent, trademark or other intellectual property right of ours, or combination of our intellectual property rights, is likely to prevent others from competing with us using a similar business model. There are many issued patents and patent applications held by others in our industry and the electronics field. Our competitors may independently develop technologies that are substantially similar or superior to our technologies, or design around our patents or other intellectual property to avoid infringement. In addition, we may not apply for a patent relating to products or processes that are patentable, we may fail to receive any patent for which we apply or have applied, and any patent owned by us or issued to us could be circumvented, challenged, invalidated, or held to be unenforceable or rights granted thereunder may not adequately protect our technology or provide a competitive advantage to us. If a third-party challenges the validity of any patents or proprietary rights of ours, we may become involved in intellectual property disputes and litigation that would be costly and time-consuming. All of our patents will eventually expire. Some of our patents, including patents protecting significant elements of our technology, will expire between 2017 and 2020, at which point we can no longer enforce these against third parties to prevent them from making, using, selling, offering to sell or importing our current clinical device. While we have several patents expiring between 2017 and 2020, including patents that relate, in part, to our key products, our technology is typically covered by several patents, creating a system of protected technology. The expiration of our patents could expose us to more competition and have an adverse impact on our business.

Although third parties may infringe on our patents and other intellectual property rights, we may not be aware of any such infringement, or we may be aware of potential infringement but elect not to seek to prevent such infringement or pursue any claim of infringement, and the third-party may continue its potentially infringing activities. Any decision whether or not to take further action in response to potential infringement of our patent or other intellectual property rights may be based on a variety of factors, such as the potential costs and benefits of taking such action, and business and legal issues and circumstances. Litigation of claims of infringement of a patent or other intellectual property rights may be costly and time-consuming, may divert the attention of key management personnel and

may not be successful or result in any significant recovery of compensation for any infringement or enjoining of any infringing activity. Litigation or licensing discussions may also involve or lead to counterclaims that could be brought by a potential infringer to challenge the validity or enforceability of our patents and other intellectual property.

To protect our trade secrets and other proprietary information, we generally require our employees, consultants, contractors and outside collaborators to enter into written non-disclosure agreements. These agreements, however, may not provide adequate protection to prevent any unauthorized use, misappropriation or disclosure of our trade secrets, know-how or other proprietary information. These agreements may be breached, and we may not become aware of, or have adequate remedies in the event of, any such breach. Also, others may independently develop the same or substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets.

Our ability to innovate or market our products may be impaired by the intellectual property rights of third parties.

Our success is dependent, in part, upon our ability to avoid infringing the patents or proprietary rights of others. The cardiac monitoring industry is characterized by a large number of patents and patent filing. Competitors may have filed applications for, or have been issued, patents and may obtain additional patents and proprietary rights related to devices, services or processes that we use to compete. We may not be aware of all of the patents or patent applications potentially adverse to our interests that may have been filed or issued to others.

United States patent applications may be kept confidential while pending in the Patent and Trademark Office. If other companies have or obtain patents relating to our products or services, we may be required to obtain licenses to those patents or to develop or obtain alternative technology. We may not be able to obtain any such licenses on acceptable terms, or at all. Any failure to obtain such licenses could impair or foreclose our ability to make, use, market or sell our products and services.

Based on the fact that we may pose a competitive threat to some companies who own or control various patents, it is possible that one or more third parties may assert a patent infringement claim seeking damages and to enjoin the manufacture, use, sale and marketing of our products and services. If a third-party asserts that we have infringed on its patent or proprietary rights, we may become involved in intellectual property disputes and litigation that would be costly and time-consuming and could impair or foreclose our ability to make, use, market or sell our products and services. Lawsuits may have already been filed against us without our knowledge. Additionally, we may receive notices from other third parties suggesting or asserting that we are infringing their patents and inviting us to license such patents. We do not believe that we are infringing on any other party's patents or that a license to any such patents is necessary. Should litigation over such patents arise, we intend to vigorously defend against any allegation of infringement.

If we are found to infringe on the patents or intellectual property rights of others, we may be required to pay damages, stop the infringing activity or obtain licenses or rights to the patents or other intellectual property in order to use, manufacture, market or sell our products and services. Any required license may not be available to us on acceptable terms, or at all. If we succeed in obtaining such licenses, payments under such licenses would reduce any earnings from our products. In addition, licenses may be non-exclusive and, accordingly, our competitors may have access to the same technology as that which may be licensed to us. If we fail to obtain a required license or are unable to alter the design of our product candidates to make a license unnecessary, we may be unable to manufacture, use, market or sell our products and services, which could significantly affect our ability to achieve, sustain or grow our commercial business.

If we are unable to successfully integrate acquired companies and technology, we may not realize the benefits anticipated and our future growth may be adversely affected.

We have grown through acquisitions of companies and technology, including our acquisitions of the assets of the ePatch Division of DELTA in April 2016, VirtualScopics in May 2016 and Telcare in December 2016. Acquisitions involve risks associated with our assumption of the liabilities of an acquired company, which may be liabilities that we were or are unaware of at the time of the acquisition, potential write-offs of acquired assets and potential loss of the acquired company's key employees or customers. Physician, patient and customer satisfaction or performance problems with an acquired business, technology, service or device could also have a material adverse effect on our reputation. Additionally, potential disputes with the seller of an acquired business or its employees, suppliers or customers could adversely affect our business, operating results and financial condition. If we fail to properly evaluate and execute acquisitions, our business may be disrupted and our operating results and prospects may be harmed.

Furthermore, integrating acquired companies or new technologies into our business may prove more difficult than we anticipate. We may encounter difficulties in successfully integrating our operations, technologies, services and personnel with that of the acquired company, and our financial and management resources may be diverted from our existing operations. Offices in multiple states create a strain on our ability to effectively manage our operations and key personnel. If we elect to consolidate our facilities, we may lose key personnel unwilling to relocate to the consolidated facility, may have difficulty hiring appropriate personnel at the consolidated facility and may have difficulty providing continuity of service through the consolidation.

The success of our business is partially dependent on our ability to raise capital, and failure to raise the necessary capital may adversely affect our results of operations, financial condition and stock price.

We believe that our existing cash and cash equivalents, together with our revolving credit facility with Healthcare Financial Solutions, LLC ("HFS"), the successor in interest to The General Electric Capital Corporation, will be sufficient to meet our anticipated cash requirements for the foreseeable future. However, our future funding requirements will depend on many factors, including:

- the results of our operations;
- the reimbursement rates associated with our products and services;
- our ability to secure contracts with additional commercial payors providing for the reimbursement of our services;
- the costs associated with manufacturing and building our inventory of our current and future generation monitors;
- the costs of hiring additional personnel and investing in infrastructure to support future growth;
- the costs of undertaking future strategic initiatives, such as acquisitions or joint ventures;
- the emergence of competing technologies and products and other adverse market developments;
- the costs of preparing, filing, prosecuting, maintaining and enforcing patent claims and other intellectual property rights or defending against claims of infringement by others; and
- actions taken by the FDA, CMS and other regulatory authorities affecting cardiac monitoring devices and competitive products.

If we decide to raise additional capital in the future, such capital may not be available on reasonable terms, or at all. If we raise additional funds by issuing equity securities, dilution to existing stockholders would result. If we raise additional funds by incurring debt financing, the terms of the

debt may involve significant cash payment obligations as well as covenants and financial ratios that may restrict our ability to operate our business.

We have outstanding debt, and may incur other debt in the future, which could adversely affect our financial condition, liquidity and results of operations.

As of December 31, 2016, we had outstanding debt under our credit facility with HFS of $25.8 million. We may borrow additional amounts in the future and use the proceeds from any future borrowing for general corporate purposes, future acquisitions or expansion of our business.

Our incurrence of this debt, and any increases in our levels of debt, may adversely affect our operating results and financial condition by, among other things:

- requiring a portion of our cash flow from operations to make payments on this debt; or
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry.

Our current credit facility imposes restrictions on us, including restrictions on our ability to create liens on our assets, incur additional indebtedness, make acquisitions or dispose of assets, and also requires us to maintain compliance with specified financial ratios. Our ability to comply with these ratios may be affected by events beyond our control. If we breach any of the covenants and do not obtain a waiver from our lender, then, subject to applicable cure periods, our outstanding indebtedness could be declared immediately due and payable.

Our business depends on our ability to attract and retain talented employees.

Our business is based on successfully attracting and retaining talented employees. The market for highly-skilled workers and leaders in our industry is extremely competitive. If we are less successful in our recruiting efforts, or if we are unable to retain key employees, our ability to develop and deliver successful products and services may be adversely affected.

Our cardiac monitoring and INR testing businesses are dependent upon physicians prescribing our services and failure to obtain those prescriptions may adversely affect our revenue.

The success of our cardiac monitoring and INR testing businesses are dependent upon physicians prescribing our services. Our success in obtaining prescriptions will be directly influenced by a number of factors, including:

- the ability of the physicians with whom we work to obtain sufficient reimbursement and be paid in a timely manner for the professional services they provide in connection with the use of our cardiac monitoring solutions;
- our ability to continue to establish ourselves as a comprehensive cardiac monitoring services provider;
- our ability to educate physicians regarding the benefits of our services over alternative diagnostic monitoring solutions; and
- the clinical efficacy of our devices.

If we are unable to educate physicians regarding the benefits of our products and obtain sufficient prescriptions for our services, revenue from the provision of our cardiac monitoring solutions could potentially decrease.

We may experience difficulty in obtaining reimbursement for our services from commercial payors that consider our technology to be experimental and investigational, which would adversely affect our revenue and operating results.

Many commercial payors refuse to enter into contracts to reimburse the fees associated with medical devices or services that such payors determine to be "experimental and investigational." Commercial payors typically label medical devices or services as "experimental and investigational" until such devices or services have demonstrated product superiority evidenced by a randomized clinical trial. We completed a clinical trial in March 2007 that showed that MCOT™ provided higher diagnostic yield than traditional loop event monitoring. Prior to our clinical trial, MCOT™ was labeled "experimental and investigational" by numerous commercial payors. Since the trial was published in March 2007, we have obtained contracts with most of these commercial payors that previously labeled MCOT™ as "experimental and investigational." We have not obtained contracts with certain remaining commercial payors however, and these payors have informed us that they do not believe the data from this trial justifies the removal of the experimental designation. As a result, these commercial payors may refuse to reimburse the technical and professional fees associated with MCOT™.

If commercial payors decide not to reimburse our products or services or the related services provided by physicians, or the rates of such reimbursement change, or if we fail to properly administer claims, our revenue could be adversely affected.

We have a concentration of risk related to the accounts receivable from Medicare and failure to fully collect outstanding balances from this customer, or a combination of other customers, may adversely affect our results of operations.

As of December 31, 2016, we have balances owed to us from one customer, Medicare, representing approximately 11% of our total gross accounts receivable. We maintain an allowance for doubtful accounts based on the collections history and aging of outstanding receivables, as well as for any specific instances we become aware of that may preclude us from reasonably assuring collection on outstanding balances. Determining the allowance for doubtful accounts is judgmental in nature and often involves the use of significant estimates. A determination that requires a change in our estimates could have a materially adverse effect on our financial condition and operating results.

If we do not have enough equipment or experience delays in manufacturing, we may be unable to fill prescriptions for cardiac and diabetic monitoring in a timely manner, physicians may elect not to prescribe our services, and our revenue and growth prospects may be adversely affected.

When a physician prescribes cardiac monitoring to a patient, our customer service department begins the patient set-up process. While our goal is to provide each patient with the appropriate device in a timely manner, we have experienced, and may in the future experience, delays due to the availability of devices, primarily when converting to a new generation of device or in connection with the increase in prescriptions following potential acquisitions of other companies.

We may also experience shortages of devices due to manufacturing difficulties. Multiple suppliers provide the components used in our devices, but our Minnesota, New Jersey and Massachusetts facilities are registered and approved by the FDA as the manufacturer of record of our devices. Our manufacturing operations could be disrupted by fire, earthquake or other natural disaster, a labor-related disruption, failure in supply or other logistical channels, electrical outages or other reasons. If there were a disruption to our facilities in Minnesota, New Jersey or Massachusetts, we would be unable to manufacture devices until we have restored and re-qualified our manufacturing capability or developed alternative manufacturing facilities.

Our success in obtaining future cardiac monitor prescriptions from physicians is dependent upon our ability to promptly deliver devices to our patients, and a failure in this regard would have an adverse effect on our revenue and growth prospects.

Interruptions or delays in telecommunications systems could impair the delivery of our MCT and wireless event services.

The success of our MCT and wireless event services is dependent upon our ability to transmit and process data. Our MCT and wireless event devices rely on third-party wireless carriers to transmit data over their data networks. We are dependent upon these third-party wireless carriers to provide data transmission services to us through our various agreements. If we fail to maintain these relationships, or if we lose wireless carrier services, we would be forced to seek alternative providers of data transmission services, which might not be available on commercially reasonable terms, or at all.

As we expand our commercial activities, an increased burden will be placed upon our data processing systems and the equipment upon which they rely. Interruptions of our data networks, or the data networks of our wireless carriers for any extended length of time, loss of stored data or other computer problems could have a material adverse effect on our business and operating results. Frequent or persistent interruptions in our cardiac monitoring services could cause permanent harm to our reputation and could cause current or potential users of our remote monitoring services or prescribing physicians to believe that our systems are unreliable, leading them to switch to our competitors. Such interruptions could result in liability claims and litigation against us for damages or injuries resulting from the disruption in service.

New products and technological advances by our competitors may negatively affect our market share, commercial opportunities and results of operations.

The market for cardiac monitoring solutions is evolving rapidly and becoming increasingly competitive. Our industry is highly fragmented and characterized by a small number of large providers and a large number of smaller regional service providers. These third parties compete with us in marketing to payors and prescribing physicians, recruiting and retaining qualified personnel, acquiring technology and developing solutions complementary to our programs. In addition, as companies with substantially greater resources than ours enter our market, we will face increased competition. If our competitors are better able to develop and patent cardiac monitoring solutions than us, or develop more effective or less expensive cardiac monitoring solutions that render our solutions obsolete or non-competitive, or deploy larger or more effective marketing and sales resources than ours, our business will be harmed and our commercial opportunities will be reduced or eliminated.

We operate in an intensely competitive industry, and our failure to respond quickly to technological developments and incorporate new features into our products could harm our ability to compete.

We operate in an intensely competitive industry that experiences rapid technological developments, changes in industry standards, changes in patient requirements and frequent new product introductions and improvements. If we are unable to respond quickly and successfully to these developments, we may lose our competitive position, and our products or technologies may become uncompetitive or obsolete. To compete successfully, we must maintain a successful research and development effort, develop new products and production processes and improve our existing products and processes at the same pace or ahead of our competitors. Our research and development efforts are aimed at solving increasingly complex problems, as well as creating new technologies, and we do not expect that all of our projects will be successful. If our research and development efforts are unsuccessful, our future results of operations could be materially affected.

We are increasingly dependent on sophisticated information technology systems to operate our business and if we fail to properly maintain the integrity of our data or if our products do not operate as intended or we experience a cyber-attack or other breach of these systems, our business could be materially affected.

We are increasingly dependent on sophisticated information technology for our products and infrastructure. We rely on information technology systems to process, transmit and store electronic information in our day-to-day operations. The size and complexity of our information technology systems makes them vulnerable to increasingly sophisticated cyber-attacks, malicious intrusion, breakdown, destruction, loss of data privacy or other significant disruption. Our information systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards, the increasing need to protect patient and customer information and changing customer patterns. As a result of technology initiatives, recently enacted regulations, changes in our system platforms and integration of new business acquisitions, we have been consolidating and integrating the number of systems we operate and have upgraded and expanded our information systems capabilities.

In addition, third parties may attempt to hack into our products or systems and may obtain data relating to patients with our products or our proprietary information. If we fail to maintain or protect our information systems and data integrity effectively, we could lose existing customers, have difficulty attracting new customers, have problems in determining product cost estimates and establishing appropriate pricing, have difficulty preventing, detecting and controlling fraud, have disputes with customers, physicians and other health care professionals, have regulatory sanctions or penalties imposed, have increases in operating expenses, incur expenses or lose revenue as a result of a data privacy breach or suffer other adverse consequences. There can be no assurance that our process of consolidating the number of systems we operate, upgrading and expanding our information systems capabilities, protecting and enhancing our systems and developing new systems to keep pace with continuing changes in information processing technology will be successful or that additional systems issues will not arise in the future. Any significant breakdown, intrusion, interruption, corruption or destruction of these systems, as well as any data breaches, could have a material adverse effect on our business.

Changes in the health care industry or tort reform could reduce the number of cardiac monitoring solutions ordered by physicians, which could result in a decline in the demand for our solutions, pricing pressure and decreased revenue.

Changes in the health care industry directed at controlling health care costs or perceived over-utilization of cardiac monitoring solutions could reduce the volume of services ordered by physicians. If more health care cost controls are broadly instituted throughout the health care industry, the volume of cardiac monitoring solutions could decrease, resulting in pricing pressure and declining demand for our services, which could harm our operating results. In addition, it has been suggested that some physicians order cardiac monitoring solutions, even when the services may have limited clinical utility, primarily to establish a record for defense in the event of a claim of medical malpractice against the physician. Legal changes increasing the difficulty of initiating medical malpractice cases, known as tort reform, could reduce the number of our services prescribed as physicians respond to reduced risks of litigation, which could harm our operating results.

Legislation and policy changes reforming the United States health care system may have a material adverse effect on our operating results and financial condition.

On March 23, 2010, the Affordable Care Act was signed into law. The Affordable Care Act makes the most sweeping and fundamental changes to the United States health care system since the creation of Medicare and Medicaid. The Affordable Care Act includes a large number of health-related

provisions expanding Medicaid eligibility, requiring most individuals to have health insurance, establishing new regulations on health plans, establishing health insurance exchanges, requiring manufacturers to report payments or other transfers of value made to physicians and teaching hospitals and modifying certain payment systems to encourage more cost-effective care.

Further, on June 28, 2012, the United States Supreme Court upheld the vast majority of this landmark health reform law. Several provisions of the Affordable Care Act specifically affect the medical equipment industry. In addition to changes in Medicare DMEPOS reimbursement and an expansion of the DMEPOS competitive bidding program, the Affordable Care Act provides that for sales on or after January 1, 2013, manufacturers, producers and importers of taxable medical devices must pay an annual excise tax of 2.3% of the price for which the devices are sold. Subsequent legislation (Pub. L. 114-113) includes a two-year moratorium on the medical device excise tax; it does not apply to sales during 2016 and 2017.

The Affordable Care Act also establishes enhanced Medicare and Medicaid program integrity provisions, including expanded documentation requirements for Medicare DMEPOS orders, more stringent procedures for screening Medicare and Medicaid DMEPOS suppliers, and new disclosure requirements regarding manufacturer payments to physicians and teaching hospitals, along with broader expansion of federal fraud and abuse authorities. The Affordable Care Act, in whole, or in part, may be repealed.

In addition, various health care reform proposals have also emerged at the state level. We cannot predict the full effect that these laws or any future legislation or regulation will have on us. However, the implementation of new legislation and regulation may lower reimbursements for our products, reduce medical prescriptions for our services and adversely affect our business.

If we or our suppliers fail to achieve or maintain regulatory approval of manufacturing facilities, our growth could be limited and our business could be adversely affected.

We currently assemble and manufacture our devices in our Eagan, MN, Ewing, NJ and Concord, MA facilities. We purchase INR monitoring devices from third parties. In order to maintain compliance with FDA and other regulatory requirements, our manufacturing facilities must be periodically reevaluated and qualified under a quality system to ensure they meet production and quality standards. Suppliers of components and products used to manufacture MCT, BGM, event, Holter and Pacemaker devices and the manufacturers of the monitors used in INR services must also comply with FDA regulatory requirements, which often require significant resources and subject us and our suppliers to potential regulatory inspections and stoppages. If we or our suppliers do not maintain regulatory approval for our manufacturing operations, our business could be adversely affected.

If we fail to meet Medicare accreditation and surety bond requirements or DMEPOS supplier standards, it could negatively affect our business operations.

Medicare DMEPOS suppliers (other than certain exempted professionals) must be accredited by an approved accreditation organization as meeting DMEPOS quality standards adopted by CMS. Medicare suppliers also are required to meet surety bond requirements. In addition, Medicare DMEPOS suppliers must comply with Medicare supplier standards in order to obtain and retain billing privileges, including meeting all applicable federal and state licensure and regulatory requirements. In addition, many of our managed care contracts for the provision of diabetes services require that we qualify as an accredited DMEPOS supplier. CMS periodically expands or otherwise clarifies the Medicare DMEPOS supplier standards. We believe we are in compliance with these requirements. If we fail to maintain our Medicare accreditation status and/or do not comply with Medicare surety bond or supplier standard requirements in the future, or if these requirements are changed or expanded, it could adversely affect our profits and results of operations.

Our dependence on a limited number of suppliers may prevent us from delivering our devices on a timely basis.

We currently rely on a limited number of suppliers of components for the devices that we manufacture. If these suppliers became unable to provide components in the volumes needed or at an acceptable price, we would have to identify and qualify acceptable replacements from alternative sources of supply. The process of qualifying suppliers is lengthy. Delays or interruptions in the supply of our required components could limit or stop our ability to provide sufficient quantities of devices on a timely basis and meet demand for our services, which could have a material adverse effect on our business, financial condition and results of operations.

We could be subject to medical liability or product liability claims, which may not be covered by insurance and which would adversely affect our business and results of operations.

The design, manufacture and marketing of services of the types we provide entail an inherent risk of product liability claims. Any such claims against us may require us to incur significant defense costs, irrespective of whether such claims have merit. In addition, we provide information to health care providers and payors upon which determinations affecting medical care are made, and claims may be made against us resulting from adverse medical consequences to patients resulting from the information we provide. In addition, we may become subject to liability in the event that the devices we use fail to correctly record or transfer patient information or if we provide incorrect information to patients or health care providers using our services.

Our liability insurance is subject to deductibles and coverage limitations. In addition, our current insurance may not continue to be available to us on acceptable terms, if at all, and, if available, the coverage may not be adequate to protect us against any future claims. If we are unable to obtain insurance at an acceptable cost or on acceptable terms with adequate coverage or otherwise protect against any claims against us, we will be exposed to significant liabilities, which may adversely affect our business and results of operations.

Regulations related to conflict minerals may adversely impact our business.

The Dodd Frank Wall Street Reform and Consumer Protection Act contains provisions to improve transparency and accountability concerning the supply of certain minerals, known as conflict minerals, originating from the DRC. Due to the materials used in certain of the products manufactured by our subsidiaries, Braemar, UMI and Telcare, we must comply with annual disclosure and reporting rules adopted by the SEC by assessing whether the subject minerals contained in Braemar and UMI's products originated in the DRC. Our supply chain is complex since we do not source our minerals directly from the original mine or smelter. Consequently, we incur costs in complying with these disclosure requirements, including for due diligence to determine the source of the subject minerals used in our products and other potential changes to products, processes or sources of supply as a consequence of such verification activities. The rules may adversely affect the sourcing, supply and pricing of materials used in our products throughout the supply chain beyond our control, whether or not the subject minerals are "conflict free." Also, we may face reputational challenges if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all subject minerals used in our products through our diligence process.

We are reliant on the outsourcing of clinical research by pharmaceutical, clinical research and biotechnology companies.

We are reliant on the ability and willingness of pharmaceutical, clinical research and biotechnology companies to continue to spend on clinical research to outsource the types of research services that we

provide. As such, we are impacted and subject to risks, uncertainties and trends that affect companies in these industries. Any downturn in these industries or reduction in spending or outsourcing could adversely affect our business.

Future sales of our common stock may depress our stock price.

Future issuance in connection with acquisitions and sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. As of December 31, 2016, we had 28,261,503 outstanding shares of vested common stock. In addition, we have 3,568,434 options and 592,349 restricted stock units ("RSUs") outstanding to purchase shares of our common stock that will become exercisable over the next four years. Additionally, as of December 31, 2016, we had 132,992 performance stock units ("PSUs"), which remain unvested. Further, we have 100,000 performance stock options which have become exercisable. If exercised, vested or earned, additional shares would become available for sale.

Anti-takeover provisions in our charter documents and Delaware law might deter acquisition bids for us that our stockholders might consider favorable.

Our amended and restated certificate of incorporation and bylaws contain provisions that may make the acquisition of our Company more difficult without the approval of our Board of Directors. These provisions:

- establish a classified Board of Directors so that not all members of the board are elected at one time;
- authorize the issuance of undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval, and which may include rights superior to the rights of the holders of common stock;
- prohibit stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- provide that the Board of Directors is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for elections to our Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, because we are incorporated in Delaware, we are subject to Section 203 of the Delaware General Corporation Law which, subject to certain exceptions, prohibits stockholders owning in excess of 15% of our outstanding voting stock from merging or combining with us. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change of control of our Company, even if doing so would benefit our stockholders. These provisions could also discourage proxy contests and make it more difficult for our stockholders to elect directors of their choosing and cause us to take other corporate actions such stockholders desire.

We may not be able to realize our net operating loss carryforwards.

We have deferred tax assets that include net operating loss carryforwards that can be used to offset taxable income in future periods and reduce income taxes payable in those future periods. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. The timing and manner in which we can utilize our net operating loss carryforward and future income tax deductions in any year may be limited

by provisions of the Internal Revenue Code ("IRC") regarding the change in ownership of corporations. Such limitation may have an impact on the ultimate realization of our carryforwards and future tax deductions. Section 382 of the IRC ("Section 382") imposes limitations on a corporation's ability to utilize net operating losses if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership of certain stockholders in the stock of a corporation by more than 50 percentage points over a three-year period. Any unused annual limitation may be carried over to later years, and the amount of the limitation may under certain circumstances be increased by the built-in gains in assets held by us at the time of the change that are recognized in the five-year period after the change. Currently, a portion of our loss carryforwards are limited under Section 382.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2016, we lease facilities in the following locations:

- 61,000 square feet of space for our Corporate Headquarters and Healthcare operations and monitoring center in Malvern, PA, under an agreement that expires in March 2021;
- 28,000 square feet of space for Healthcare monitoring as well as Technology manufacturing in Ewing, NJ, under an agreement that expires in December 2018;
- 24,000 square feet of space for Healthcare monitoring as well as Technology manufacturing in Eagan, MN, under an agreement that expires in January 2022;
- 20,000 square feet of space for Research in Rochester, NY, under an agreement that expires in June 2017;
- 16,000 square feet of space for our Healthcare distribution center in Chester, PA, under an agreement that expires in December 2020;
- 13,000 square feet of space for Research in Rockville, MD, under an agreement that expires in November 2026;
- 11,000 square feet of space for our Healthcare distribution center in Phoenix, AZ, under an agreement that expires in May 2020;
- 9,000 square feet of space for our Healthcare monitoring facility in San Francisco, CA, under an agreement that expires in March 2019;
- 8,000 square feet of space dedicated to Technology research and development and engineering activities in San Diego, CA, under an agreement that expires in June 2020;
- 7,000 square feet of space dedicated to Technology research and development, manufacturing and distribution activities in Concord, MA, under an agreement that expires in November 2017;
- 5,000 square feet of space for our Healthcare customer support center in Norfolk, VA, under an agreement that expires in July 2018;
- 4,000 square feet of space for Research in San Francisco, CA, under an agreement that expires in October 2019;
- 2,000 square feet of space dedicated to Technology research and development and manufacturing activities in Horsholm, Denmark, under an agreement that expires in March 2018;

- 500 square feet of space dedicated to Technology distribution activities in Zaventem, Belgium, under an agreement that continues on a quarterly basis until terminated;
- 200 square feet of space for Healthcare operations in Fort Lauderdale, FL, under an agreement that continues on a monthly basis until terminated;
- 200 square feet of space for Research in London, UK, under an agreement that continues on a quarterly basis until terminated; and
- 100 square feet of space for Research in Tokyo, Japan, under an agreement that continues on a quarterly basis until terminated.

We believe that our existing facilities are adequate to meet our current needs, and that suitable additional alternative spaces will be available in the future on commercially reasonable terms.

Item 3. Legal Proceedings

From time to time, in the ordinary course of business and like others in the industry, we receive requests for information from government agencies in connection with their regulatory or investigational authority or are involved in traditional employment or business litigation. We review such requests and notices and take appropriate action.

The final outcome of any current or future litigation or governmental or internal investigations cannot be accurately predicted, nor can we predict any resulting penalties, fines or other sanctions that may be imposed at the discretion of federal or state regulatory authorities. We record accruals for such contingencies to the extent that we concludes it is probable that a liability has been incurred and the amount of the loss can be estimated.

CardioNet v. ScottCare Litigation

In May 2012, CardioNet, Inc. ("CardioNet") filed suit against The ScottCare Corporation and Ambucor Health Solutions, Inc. ("ScottCare") in the United States District Court for the Eastern District of Pennsylvania (Civil Action No. 2:12-CV-2516- PBT) for patent infringement under the same five CardioNet patents that were at issue in the Mednet litigation, related to the making, use, sale and offering for sale of the ScottCare TeleSentry Mobile Cardiac Telemetry device and monitoring services. CardioNet is seeking an injunction against each defendant, as well as monetary damages. ScottCare has asserted counterclaims alleging the patents in the suit are invalid and not infringed. The trial court heard argument on motions for summary judgment and motions to limit expert testimony in June 2015, but has not yet issued rulings on these motions. ScottCare has dropped all invalidity challenges with respect to one of the patents in the suit. The parties are awaiting a trial date. Consistent with the accounting for contingent liabilities, no accrual has been recorded in the consolidated financial statements. We are vigorously pursuing our claims and defending against the counterclaims.

CardioNet v. InfoBionic

CardioNet, LLC and Braemar Manufacturing, LLC (collectively, "CardioNet") filed a patent infringement lawsuit against InfoBionic, Inc. ("InfoBionic") in May 2015, in the United States District Court for the District of Massachusetts ("District Court"), and filed an amended complaint in March 2016. CardioNet asserts that InfoBionic's MoMe™ Kardia System infringes CardioNet's United States Patent Nos. 6,225,901, 6,940,403, 7,212,850, 7,907,996, RE43,767 and 7,099,715 relating to collection and reporting of data. CardioNet seeks an injunction and enhanced damages for willful infringement because InfoBionic had prior knowledge of some or all of the asserted patents. CardioNet is also asserting claims for unfair competition and misappropriation of trade secrets due to its discovery that InfoBionic is in unauthorized possession of confidential and proprietary CardioNet materials, including source code. The District Court held a claim construction hearing in November 2016. CardioNet is

seeking leave to add an infringement claim for CardioNet's United States Patent No. 7,941,207 to the complaint. Dates for expert discovery and trial have not been set.

In response to CardioNet's infringement assertion, in August 2015, InfoBionic filed petitions at the United States Patent and Trademark Office ("USPTO") for Inter Partes review ("IPR") of the '901, '403, '850 and '996 patents. In February 2016, the USPTO denied institution of the August 2015 petitions for the '850 and '996 patents. In June 2016, InfoBionic filed a second set of petitions directed to the '850 and '996 patents. The USPTO denied institution of that second set of petitions in December 2016. In December 2016, the USPTO also upheld the validity of claim 10 of the '403 patent, but found that the other challenged claims of the '901 and '403 patents are unpatentable. The '901 and '403 patents were set to expire in March 2017. InfoBionic is estopped from presenting any invalidity defense at the court that it raised or could have raised in the IPR for claim 10 of the '403 patent. In late January 2017, InfoBionic filed an IPR petition challenging the '767 patent. CardioNet's preliminary response is due in late April or early May 2017, and a decision regarding institution will issue in late July or early August 2017. If the Patent Trial and Appeal Board denies institution, then the proceeding is over. If the Appeal Board decides to institute, a final written decision would be expected in late summer of 2018.

Item 4. Mine Safety Disclosures

Not Applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information for Common Stock

Our common stock is traded on The NASDAQ Global Select Market under the symbol, "BEAT." The following table sets forth the range of high and low closing sale prices of our common stock for the periods indicated:

2016

Quarter Ended	High	Low
December 31, 2016	$ 23.35	$ 15.35
September 30, 2016	21.30	16.08
June 30, 2016	17.42	11.13
March 31, 2016	12.94	9.44

2015

Quarter Ended	High	Low
December 31, 2015	$ 14.15	$ 11.55
September 30, 2015	16.68	8.94
June 30, 2015	10.02	7.99
March 31, 2015	11.02	8.79

As of February 17, 2017, there were 28,370,987 shares of our common stock outstanding. Also as of that date, we had approximately 55 holders of record.

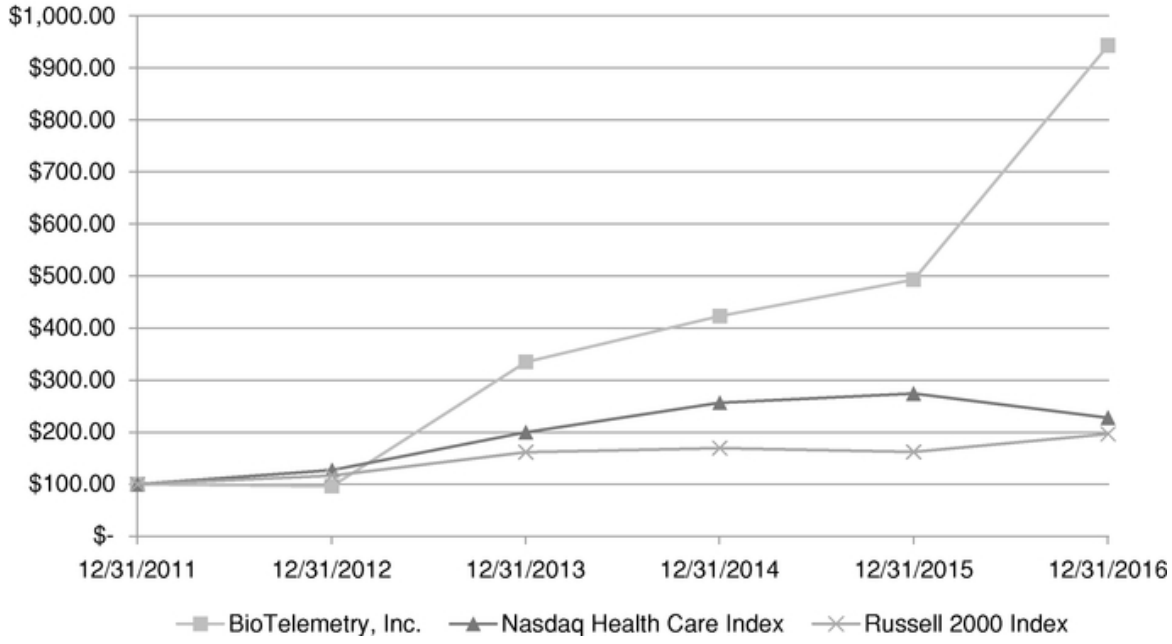
Dividends

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings to support our operations and finance the growth and development of our business. We do not intend to pay cash dividends on our common stock for the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our Board of Directors.

Stock Performance Graph

The graph below compares the total stockholder return of an investment of $100 on December 31, 2011 through December 31, 2016 for (i) our common stock (ii) The NASDAQ Health Care Index and (iii) The Russell 2000 Index. Each of the three measures of cumulative total return assumes reinvestment of dividends, if any. The stock price performance shown on the graph below is based on historical data and is not indicative of future stock price performance.

Comparison of 5 Year Cumulative Total Return
Among BioTelemetry, Inc., The NASDAQ Health Care Index
and The Russell 2000 Index



Company/Index	Base Period 12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
BioTelemetry, Inc.	$ 100.00	$ 96.20	$ 335.02	$ 423.21	$ 492.83	$ 943.04
NASDAQ Health Care Index	100.00	127.24	199.82	256.70	274.30	227.91
Russell 2000 Index	100.00	116.35	161.52	169.42	161.95	196.45

The foregoing graph and chart shall not be deemed incorporated by reference by any general statement incorporating by reference this Annual Report on Form 10-K into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, except to the extent we specifically incorporate this information by reference, and shall not otherwise be deemed filed under those acts.

Item 6. Selected Financial Data

The selected financial data set forth below are derived from our consolidated financial statements. The statement of operations data for the years ended December 31, 2016, 2015 and 2014, and the balance sheet data at December 31, 2016 and 2015 are derived from our audited consolidated financial statements included elsewhere in this report. The statement of operations data for the years ended December 31, 2013 and 2012 and the balance sheet data at December 2014, 2013 and 2012 are derived from our audited consolidated financial statements, which are not included herein.

The following selected financial data should be read in conjunction with the "Consolidated Financial Statements" and related notes thereto in Item 8 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this report.

	Year ended December 31,				
	2016	2015	2014	2013	2012
	in thousands, except per share data				
Statement of Operations Data:					
Revenue:					
Healthcare	$ 165,664	$ 145,963	$ 133,178	$ 100,386	$ 93,640
Research	32,565	21,853	19,744	20,329	8,333
Technology	10,103	10,697	13,656	8,786	9,521
Total revenue	208,332	178,513	166,578	129,501	111,494
Cost of revenue:					
Healthcare	53,559	51,693	54,942	35,177	36,793
Research	18,395	12,728	10,646	11,317	3,726
Technology	6,928	7,535	7,526	3,937	5,074
Total cost of revenue	78,882	71,956	73,114	50,431	45,593
Gross profit	129,450	106,557	93,464	79,070	65,901
Operating expenses:					
General and administrative	55,877	47,882	45,131	36,569	32,644
Sales and marketing	28,636	27,936	28,805	26,275	25,604
Bad debt expense	9,931	8,047	9,347	7,787	11,912
Research and development	8,355	7,111	7,396	7,338	4,664
Other charges	8,639	6,063	7,098	7,982	4,236
Total operating expenses	111,438	97,039	97,777	85,951	79,060
Income (loss) from operations	18,012	9,518	(4,313)	(6,881)	(13,159)
Other (loss) income, net	(2,242)	(1,622)	(7,793)	(223)	52
Income (loss) before income taxes	15,770	7,896	(12,106)	(7,104)	(13,107)
Benefit from (provision for) income taxes	37,667	(468)	2,313	(215)	905
Net income (loss)	$ 53,437	$ 7,428	$ (9,793)	$ (7,319)	$ (12,202)
Net income (loss) per common share:					
Basic	$ 1.91	$ 0.27	$ (0.37)	$ (0.29)	$ (0.49)
Diluted	$ 1.75	$ 0.26	$ (0.37)	$ (0.29)	$ (0.49)
Weighted average number of shares outstanding:					
Basic	27,920,150	27,116,300	26,444,626	25,543,646	24,933,656
Diluted	30,489,081	29,089,211	26,444,626	25,543,646	24,933,656

	December 31,				
	2016	2015	2014	2013	2012
	in thousands				
Balance Sheet Data:					
Cash and cash equivalents	$ 23,052	$ 18,986	$ 20,007	$ 22,151	$ 18,298
Working capital	28,053	23,157	13,879	25,215	24,932
Total assets	198,984	124,143	124,372	87,546	90,010
Total debt	25,161	23,194	23,873	—	—
Total shareholders' equity	138,914	75,926	63,676	66,829	69,998

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis of our financial condition and results of our operations in conjunction with our consolidated financial statements and the related notes to those statements included elsewhere in this report. This discussion contains forward looking statements reflecting our current expectations that involve risks and uncertainties. Our actual results and the timing of events may differ materially from those contained in these forward looking statements due to a number of factors—see "Cautionary Statement Regarding Forward Looking Statements" and Item 1A "Risk Factors." We are on a calendar year end, and except where otherwise indicated below, "2016" refers to the year ended December 31, 2016, "2015" refers to the year ended December 31, 2015 and "2014" refers to the year ended December 31, 2014.

Overview

Company Background

We provide cardiac monitoring services, cardiac monitoring device manufacturing, and centralized core laboratory services. We operate under three reportable segments: (1) Healthcare, (2) Research and (3) Technology. The Healthcare segment is focused on the diagnosis and monitoring of cardiac arrhythmias, or heart rhythm disorders. We offer cardiologists and electrophysiologists a full spectrum of solutions which provides them with a single source of cardiac monitoring services. These services range from the differentiated mobile cardiac telemetry service ("MCT") service marketed as Mobile Cardiac Outpatient Telemetry™ ("MCOT™") or External Cardiac Ambulatory Telemetry ("ECAT"), to wireless and trans telephonic event, Holter, Pacemaker and International Normalized Ratio ("INR") monitoring. The Research segment is engaged in central core laboratory services providing cardiac monitoring, imaging services, scientific consulting and data management services for drug and medical device trials. The Technology segment focuses on the development, manufacturing, testing and marketing of medical devices to medical companies, clinics and hospitals.

Our common stock is traded on The NASDAQ Global Select Market under our symbol "BEAT."

Recent Acquisitions

On December 1, 2016, the Company entered into a Share and Asset Purchase Agreement ("Agreement") with Telcare, Inc. ("Telcare") pursuant to which the Company acquired the stock of Telcare Medical Supply, Inc. and certain assets of Telcare. The total consideration paid at closing amounted to $7.0 million in cash, with the potential for a performance-based earn out up to $5.0 million upon reaching certain milestones, as defined in the Agreement. The fair value of the total consideration transferred in the acquisition, including contingent consideration, was $9.7 million at the acquisition date. Telcare is included in the Technology segment.

On May 11, 2016, the Company completed the acquisition of VirtualScopics, Inc. ("VirtualScopics"), a leading provider of clinical trial imaging solutions. The all cash Tender Offer commenced on April 8, 2016 and ended on May 9, 2016, pursuant to which the business and operations of VirtualScopics were acquired by the Company. The total consideration paid at closing amounted to $15.0 million, net of cash acquired of $0.8 million. VirtualScopics is included in the Research segment.

On April 1, 2016, the Company entered into an Asset Purchase Agreement ("APA") with DELTA Danish Electronics, Light, and Acoustics ("DELTA"), pursuant to which the Company acquired substantially all of the assets of the ePatch division of DELTA, inclusive of all products and indications currently under development. The total consideration paid at closing amounted to $3.0 million in cash and 244,519 shares of the Company's common stock valued at $2.9 million. In addition, there is the potential for a performance-based earn out up to $3.0 million upon reaching certain milestones, as defined in the APA. The fair value of the total consideration transferred in the acquisition, including

contingent consideration, was $6.5 million at the acquisition date. ePatch is included in the Technology segment.

In June 2014, we completed the acquisition of the assets of RadCore Lab, LLC ("RadCore"), an imaging core lab serving the biopharmaceutical and medical device research market. This acquisition broadens our offerings and adds new oncology, musculoskeletal and neurological imaging capabilities, supported by a state-of-the-art, cloud-based analysis platform. RadCore is included in the Research segment.

In April 2014, we completed the acquisition of substantially all of the assets of Biomedical Systems Corporation's ("BMS") cardiac event monitoring, Holter monitoring and mobile telemetry monitoring services. The acquisition gave us access to internally developed Holter software and to established customer relationships and is primarily included in the Healthcare segment.

In January 2014, we completed the acquisition of Mednet Healthcare Technologies, Inc., Heartcare Corporation of America, Inc., Universal Medical, Inc. and Universal Medical Laboratory, Inc. (together, "Mednet"). Mednet provides cardiac monitoring services and is an original equipment manufacturer of cardiac monitoring devices. The acquisition gave us access to established customer relationships and is included in the Healthcare and Technology segments.

Reimbursement—Healthcare

We are dependent on reimbursement for our patient services by government and commercial insurance payors. Medicare reimbursement rates for our MCT, event, Holter, Pacemaker and INR monitoring services have been established nationally by the Centers for Medicare and Medicaid Services ("CMS") and fluctuate periodically based on the annually published CMS rates.

In addition to government reimbursement through Medicare, we have successfully secured contracts with most national and regional commercial payors for our monitoring services.

During 2016, CMS published updated rates for remote cardiac monitoring services effective January 1, 2017, which will result in an approximate 3% decrease in our Medicare MCT reimbursement for 2017. Commercial pricing for our services declined in 2014 and increased in 2015 and 2016. Average commercial pricing is expected to slightly decline in 2017. Commercial pricing is affected by numerous factors, including the current Medicare reimbursement rates, competitive pressures and our ability to successfully negotiate favorable terms in our agreements and the perceived value and effectiveness of our services. Over time, we expect continued pricing pressure on the rates we are able to obtain with our commercial payors.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based on our financial statements, which we have prepared in accordance with generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses and related disclosures. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances; however, actual results may differ from these estimates. We review our estimates and judgments on an ongoing basis.

We believe that the following accounting policies and estimates are most critical to a full understanding and evaluation of our reported financial results. Our significant accounting policies are more fully described in Note 2 to our consolidated financial statements.

Revenue Recognition

Healthcare

Healthcare revenue includes revenue from MCT, wireless and trans telephonic event, Holter, Pacemaker and INR monitoring services. We receive a significant portion of our revenue from third-party commercial insurance organizations and governmental entities. We also receive reimbursement directly from patients through co-pays, deductibles and self-pay arrangements. Billings for services reimbursed by contracted third-party payors, including Medicare, are recorded as revenue net of contractual allowances. Adjustments to the estimated receipts, based on final settlement with the third-party payors, are recorded upon settlement. If we do not have consistent historical information regarding collectability from a given payor to support revenue recognition at the time of service, revenue is recognized when cash is received. Unearned amounts are appropriately deferred until the service has been completed. Medicare accounts for a significant portion of our Healthcare and total revenue.

Research

Research revenue includes revenue for core laboratory services. Our Research revenue is provided on a fee-for-service basis, and revenue is recognized as the related services are performed. We also provide consulting services on a time and materials basis and this revenue is recognized as the services are performed. Our site support revenue, consisting of equipment rentals and sales along with related supplies and logistics management, are recognized at the time of sale or over the rental period. Under a typical contract, customers pay us a portion of our fee for these services upon contract execution as an upfront deposit, some of which is typically nonrefundable upon contract termination. Unearned revenue, including upfront deposits, are deferred, and then recognized as the services are performed.

For arrangements with multiple deliverables, the revenue is allocated to each element (both delivered and undelivered items) based on their relative selling prices or management's best estimate of their selling prices, when vendor-specific or third-party evidence is unavailable.

We record reimbursements received for out-of-pocket expenses, including freight, as revenue in the accompanying consolidated statements of operations and comprehensive income (loss).

Technology

Technology revenue includes revenue received from the sale of products, product repairs and supplies to medical companies, clinics and hospitals. Our Technology revenue is recognized when products are shipped, or as services are completed.

Accounts Receivable

Healthcare accounts receivable is related to the Healthcare segment and is recorded at the time revenue is recognized, net of contractual allowances, and are presented on the consolidated balance sheet net of allowance for doubtful accounts. The ultimate collection of accounts receivable may not be known for several months after services have been provided and billed. We record an allowance for doubtful accounts based on the aging of receivables using historical data. The percentages and amounts used to record bad debt expense and the allowance for doubtful accounts are supported by various methods and analyses, including current and historical cash collections and the aging of receivables by payor. Because of continuing changes in the health care industry and third-party reimbursement, it is possible that our estimates could change, which could have a material impact on our operations and cash flows.

Other accounts receivable is related to the Technology and Research segments and is recorded at the time revenue is recognized, or when products are shipped or services are performed. We estimate

the allowance for doubtful accounts on a specific account basis, and consider several factors in our analysis including customer specific information and the aging of the account.

We will write-off receivables when the likelihood for collection is remote and when we believe collection efforts have been fully exhausted and we do not intend to devote additional resources in attempting to collect. We perform write-offs on a monthly basis. In the Healthcare segment, we wrote-off $8.4 million and $7.1 million of receivables for the years ended December 31, 2016 and 2015, respectively. The impact was a reduction of gross receivables and a reduction in the allowance for doubtful accounts. There were no material write-offs in the Technology and Research segments. We recorded bad debt expense of $9.9 million, $8.0 million and $9.3 million, respectively, for the years ended December 31, 2016, 2015 and 2014, respectively.

Stock-Based Compensation

ASC 718, *Compensation—Stock Compensation* ("ASC 718"), addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for (i) equity instruments of the enterprise or (ii) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. ASC 718 requires that an entity measure the cost of equity-based service awards based on the grant-date fair value of the award and recognize the cost of such awards over the period during which the employee is required to provide service in exchange for the award (the vesting period). ASC 718 requires that an entity measure the cost of liability-based service awards based on current fair value that is remeasured subsequently at each reporting date through the settlement date. We also use the provisions of ASC 505-50, *Equity Based Payments to Non-Employees* ("ASC 505-50"), to account for stock-based compensation awards issued to non-employees for services. Such awards for services are recorded at either the fair value of the services rendered or the instruments issued in exchange for such services, whichever is more readily determinable, using the measurement date guidelines enumerated in ASC 505-50.

We estimate the fair value of our share-based awards to employees and directors using the Black-Scholes option valuation model. The Black-Scholes option valuation model requires the use of certain subjective assumptions. The most significant of these assumptions are the estimates of the expected volatility of the market price of our stock and the expected term of the award. We base our estimates of expected volatility on the historical volatility of our stock price. The expected term represents the period of time that stock-based awards granted are expected to be outstanding. Other assumptions used in the Black-Scholes option valuation model include the risk-free interest rate and expected dividend yield. The risk-free interest rate for periods pertaining to the contractual life of each option is based on the United States Treasury yield of a similar duration in effect at the time of grant. We have never paid, and do not expect to pay, dividends in the foreseeable future. The fair value of our stock-based awards was estimated at the date of grant using the following assumptions:

	Year Ended December 31,		
	2016	2015	2014
Expected volatility	64.4%	66.5%	62.8%
Expected term (in years)	7.96	6.72	6.49
Weighted average risk-free interest rate	1.61%	1.68%	1.85%
Expected dividends	0.0%	0.0%	0.0%

While we early adopted Accounting Standards Update ("ASU") 2016-09, *Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09") in the year ended December 31, 2016, we have elected to continue to estimate forfeitures under the true-up provision of ASC 718. ASC 718 requires

forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from estimates. Forfeitures are estimated based on our historical experience.

Goodwill and Acquired Intangible Assets

Goodwill is the excess of the purchase price of an acquired business over the amounts assigned to assets acquired and liabilities assumed in a business combination. In accordance with *ASC 350, Intangibles—Goodwill and Other* ("ASC 350"), goodwill is reviewed for impairment annually, or when events arise that could indicate that an impairment exists. Initially, we qualitatively assess whether it is more-likely-than-not that an impairment exists for each reporting unit. Such qualitative factors can include, among others, industry and market conditions, present and anticipated sales and cost factors, overall financial performance and relevant entity-specific events. If we conclude based on our qualitative assessment that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, we perform a two-step impairment test in accordance with ASC 350. In the first step, we compare the fair value of our reporting units to the carrying value of the reporting units. If the carrying value of the net assets assigned to the reporting units exceeds the fair value of the reporting units, then the second step of the impairment test is performed in order to determine the implied fair value of the reporting units' goodwill. If the carrying value of the reporting units' goodwill exceeds the implied fair value of those reporting units, an impairment loss equal to the difference is recorded.

For the purpose of performing our goodwill impairment analysis, we consider our business to be comprised of three reporting units: Healthcare, Technology and Research. When performing a qualitative analysis, we calculate the fair value of the reporting units utilizing a weighting of the income and market approaches. The income approach is based on a discounted cash flow methodology that includes assumptions for, among other things, forecasted income, cash flow, growth rates, income tax rates, expected tax benefits and long-term discount rates, all of which require significant judgment. The market approach utilizes our market data as well as market data from publicly-traded companies that are similar to us. There are inherent uncertainties related to these factors and the judgment applied in the analysis. We believe that the combination of an income and a market approach provides a reasonable basis to estimate the fair value of our reporting units.

Acquired intangible assets are recorded at fair value on the acquisition date. The estimated fair values and useful lives of intangible assets are determined by assessing many factors including estimates of future operating performance and cash flows of the acquired business, the characteristics of the intangible assets and the experience of the acquired business. Independent appraisal firms may assist with the valuation of acquired assets. The impairment test for indefinite-lived intangible assets other than goodwill consists of a comparison of the fair value of the indefinite-lived intangible asset to the carrying value of the asset. We estimate the fair value of the indefinite-lived intangibles using the relief from royalty method.

We performed an impairment analysis of goodwill and indefinite-lived intangible assets for the years ended December 31, 2016, 2015 and 2014. No impairment charges were recorded as a result of these analyses.

Statements of Operations Overview

Revenue

The vast majority of our revenue is derived from cardiac monitoring services in our Healthcare segment. The amount of Healthcare revenue generated is based on the number of patients enrolled through physician prescriptions and the rates reimbursed to us by commercial payors, physicians, patients and Medicare. MCT Medicare pricing will decrease 3% in 2017 according to the recent reimbursement rates announced by CMS. This is after an 8% MCT Medicare price increase in 2016. Over time, patient services reimbursement may decline, consistent with the economic life cycle of a

successful premium service, as a result of competition and the introduction of new technologies. Event, Holter, Pacemaker and INR monitoring services utilize widely accepted technologies, and we expect the price to remain relatively constant or slightly decline in the long-term. We expect volumes to grow in the long-term as we continue to gain market share.

Revenue is generated in the Research segment through various study and consulting services, which includes activities such as core lab services, project management, data management, equipment rental and customer support. Research revenue is driven by our ability to enter into service contracts at various phases of the pharmaceutical drug development lifecycle. We expect volume to increase as a result of our acquisition of VirtualScopics and our growing capabilities as a multi-service provider. Negotiated pricing for service contracts is subject to market pressures, and as a result has decreased slightly over the last few years. We expect revenue from the Research segment to increase over the long-term as we continue to increase our study volume.

Revenue is generated in the Technology segment from the sale of cardiac and blood glucose monitoring products to third-party distributors and service providers in our Technology segment. Technology revenue is driven by the number of the units purchased by our customers and the relative per unit pricing for various products. The sales volume for our Technology segment has declined from historical levels as we have focused on increasing our production capacity on the manufacture of devices for our Healthcare segment and development of new technology. We expect our Technology segment revenue to increase over the long-term as our new products enter the market.

Gross Profit

Gross profit consists of revenue less the cost of revenue.

Cost of revenue for the Healthcare segment includes:

- salaries and benefits for personnel providing various services and customer support to physicians and patients including customer service, monitoring services, distribution services (scheduling, packaging and delivery of the devices to the patients and practices), device repair and maintenance and quality assurance;
- cost of patient-related services provided by third-party subcontractors including device transportation to and from the patients and practices and wireless communication charges related to transmission of data to the Monitoring Centers;
- consumable supplies sent to patients along with the durable components of our devices; and
- depreciation of our medical devices.

Cost of revenue for the Research segment includes:

- cost of internal and third-party medical specialists and technicians;
- salaries and benefits of personnel providing various services to customers including consulting, customer support, project management and certain information technology support;
- depreciation of our medical devices; and
- cost of materials and transportation related to the shipment of products and supplies.

Cost of revenue for the Technology segment includes the cost of materials and labor related to the manufacture of our products and product repair services.

We expect multiple factors to influence our gross profit margins in the foreseeable future. If reimbursement rates decline in our Healthcare segment, it would have an adverse effect on our gross profit margin. Payor mix is unpredictable and dependent on the insurance coverage of patients that are prescribed our services. We expect to continue to achieve efficiencies in cost of revenue through process improvements, as well as from a reduction in the cost of our devices. These factors will have a favorable impact on our gross profit margins. While these factors could be offsetting, it is difficult to predict how they will influence our gross profit margins.

We expect to achieve some efficiencies in our Research segment cost of sales through process improvements, and expect a favorable impact on gross margins due to the leveraging of the relatively fixed cost infrastructure as well as efficiencies due to the ongoing integrations of VirtualScopics, which was acquired in 2016. If we experience service contract pricing or volume declines in our Research segment, it would have an adverse effect on our gross profit margin.

If we experience volume or selling price declines in our Technology segment, or service contract pricing, it would have an adverse effect on our gross profit margin. We expect the cost of products sold and repairs to remain relatively consistent.

General and Administrative

General and administrative expense consists primarily of salaries and benefits related to general and administrative personnel, stock-based compensation, management bonus, professional fees primarily related to legal and audit fees, amortization related to intangible assets, facilities expenses and the related overhead.

Sales and Marketing

Sales and marketing expense consists primarily of salaries, benefits and commissions related to sales, travel and entertainment costs, marketing and contracting personnel. Also included are marketing programs such as trade shows and advertising campaigns.

Research and Development

Research and development expense consists primarily of salaries and benefits of personnel, as well as subcontractors who work on new product development and sustaining engineering of our existing products.

Other Charges

We account for expenses associated with our acquisitions and certain litigation as other charges as incurred. These expenses were primarily a result of legal fees related to patent litigation in which we are the plaintiff and activities surrounding our acquisitions. Other charges are costs that are not considered necessary to the ongoing business operations.

Results of Operations

Years Ended December 31, 2016 and 2015

Revenue. Total revenue for the year ended December 31, 2016 was $208.3 million compared to $178.5 million for the year ended December 31, 2015, an increase of $29.8 million, or 16.7%. Healthcare revenue increased $19.7 million due to increased patient volumes as well as higher MCT Medicare pricing. In addition, Research revenue increased $10.7 million due to the acquisition of VirtualScopics. These increases were partially offset by a decrease in Technology revenue of $0.6 million due to lower sales volume resulting from customers delaying purchases as they await the release of upgraded devices, partially offset by increases due to current year acquisitions.

Gross Profit. Gross profit increased to $129.5 million for the year ended December 31, 2016 from $106.6 million for the year ended December 31, 2015, an increase of $22.9 million, or 21.5%. Gross profit as a percentage of revenue increased to 62.1% for the year ended December 31, 2016 compared to 59.7% for the year ended December 31, 2015. The increase in gross margin percentage was due to Healthcare volume efficiencies and higher Healthcare pricing as well as reduced costs related to shipping and device communication. These increases were slightly offset by the impact of our acquisitions, which carry lower profit margins than our existing business.

General and Administrative Expense. General and administrative expense was $55.9 million for the year ended December 31, 2016 compared to $47.9 million for the year ended December 31, 2015. The increase of $8.0 million, or 16.7%, was due to the addition of $3.8 million from our acquired businesses as well as a $2.6 million increase in employee related costs and a $1.6 million increase in stock compensation expense. $1.3 million of the increase in stock compensation expense related to a performance bonus awarded to a third-party. As a percentage of total revenue, general and administrative expense was 26.8% for both the year ended December 31, 2016 and the year ended December 31, 2015.

Sales and Marketing Expense. Sales and marketing expense was $28.6 million for the year ended December 31, 2016 compared to $27.9 million for the year ended December 31, 2015. The increase of $0.7 million, or 2.5%, was due to the addition of $0.9 million from our acquired businesses, partially offset by a $0.2 million decrease in employee related costs. As a percentage of total revenue, sales and marketing expense was 13.7% for the year ended December 31, 2016 compared to 15.6% for the year ended December 31, 2015.

Bad Debt Expense. Bad debt expense was $9.9 million for the year ended December 31, 2016 compared to $8.0 million for the year ended December 31, 2015. The increase of $1.9 million, or 23.4%, was due to the timing of revenue and collections. Substantially all of our bad debt expense relates to the Healthcare segment. Bad debt expense in the Technology and Research segments was minimal and is recorded on a specific account basis. As a percentage of total revenue, bad debt expense was 4.8% for the year ended December 31, 2016 compared to 4.5% for the year ended December 31, 2015.

Research and Development Expense. Research and development expense was $8.4 million for the year ended December 31, 2016 compared to $7.1 million for the year ended December 31, 2015. The increase of $1.3 million, or 17.5%, was due to the addition of $1.0 million from our acquired businesses as well as a $0.2 million increase in consulting costs and a $0.1 million increase in employee related expenses. As a percent of total revenue, research and development expense was 4.0% for both the year ended December 31, 2016 and the year ended December 31, 2015.

Other Charges. Other charges were $8.6 million for the year ended December 31, 2016. Legal charges of $7.2 million were related primarily to patent litigation cases in which we are the plaintiff. Professional fees of $0.7 million and severance and employee related costs of $0.6 million and $0.1 million of other costs were primarily associated with activities surrounding our 2016 acquisitions. Other charges are costs that management does not consider necessary to the ongoing business operations. Other charges were 4.1% of total revenue for the year ended December 31, 2016.

Other charges were $6.1 million for the year ended December 31, 2015. Legal charges of $5.8 million were related primarily to patent litigation. The severance and employee related costs of $0.3 million were associated with activities surrounding our 2014 acquisitions. Other charges were 3.4% of total revenue for the year ended December 31, 2015.

Interest and Other Loss, net. Interest and other loss, net was $2.2 million for the year ended December 31, 2016 compared to $1.6 million for the year ended December 31, 2015. The $0.6 million increase was due to our share of our equity method investee's loss as well as an increase in interest expense due to increased borrowings under the Revolving Loans.

Income Taxes. At December 31, 2016, our effective tax rate was a benefit of 238.8% and we recognized a tax benefit of $37.7 million. This includes a $51.6 million benefit related to the release of our valuation allowance. The release of our valuation allowance was partially offset by adjustments to deferred taxes and state taxes levied on current year taxable income. At December 31, 2015, our effective tax rate was a provision of 5.9% and we had income tax expense of $0.5 million for the year

ended December 31, 2015, primarily due to Alternative Minimum Tax ("AMT") levied on current year taxable income net of allowable AMT net operating loss carryovers, as well as an increase in the deferred tax liability created by the book to tax differences on indefinite-lived assets.

Net Income. We recognized net income of $53.4 million for the year ended December 31, 2016 compared to a net income of $7.4 million for the year ended December 31, 2015.

Years Ended December 31, 2015 and 2014

Revenue. Total revenue for the year ended December 31, 2015 was $178.5 million compared to $166.6 million for the year ended December 31, 2014, an increase of $11.9 million, or 7.2%. Healthcare revenue increased $12.8 million driven by favorable pricing, as well as higher patient volume. In addition, Research revenue increased $2.1 million due to an increase in study volume. These increases were partially offset by a decrease in the Technology segment of $3.0 million due to lower device and repair sales resulting from customers delaying purchases as they await the release of upgraded devices.

Gross Profit. Gross profit increased to $106.6 million for the year ended December 31, 2015 from $93.5 million for the year ended December 31, 2014, an increase of $13.1 million, or 14.0%. Gross profit as a percentage of revenue increased to 59.7% for the year ended December 31, 2015 compared to 56.1% for the year ended December 31, 2014. The increase in gross profit percentage was primarily due to a 280 basis point improvement due to reductions in device transportation and communication expense and the favorable Healthcare pricing which had a 130 basis point impact. These increases were partially offset by reduced margins in our Research segment due to investments made in the business during 2015 to support future growth and lower Technology margins stemming from the lower revenue.

General and Administrative Expense. General and administrative expense was $47.9 million for the year ended December 31, 2015 compared to $45.1 million for the year ended December 31, 2014. The increase of $2.8 million, or 6.1%, was due primarily to an increase in employee related expense of $1.0 million, including $0.7 million of stock compensation expense for the performance stock units, higher IT infrastructure spend of $0.7 million, an increase in depreciation and amortization expense of $0.3 million and higher legal expense of $0.2 million. As a percentage of total revenue, general and administrative expense was 26.8% for the year ended December 31, 2015 compared to 27.1% for the year ended December 31, 2014.

Sales and Marketing Expense. Sales and marketing expense was $27.9 million for the year ended December 31, 2015 compared to $28.8 million for the year ended December 31, 2014. The decrease of $0.9 million, or 3.0%, was primarily due to a decrease in employee related expense. As a percentage of total revenue, sales and marketing expense was 15.6% for the year ended December 31, 2015 compared to 17.3% for the year ended December 31, 2014.

Bad Debt Expense. Bad debt expense was $8.0 million for the year ended December 31, 2015 compared to $9.3 million for the year ended December 31, 2014. The decrease of $1.3 million, or 13.9%, was due to improved collections of account receivable with ongoing process improvements. Substantially all of our bad debt expense relates to the Healthcare segment. Bad debt expense in the Technology and Research segments was minimal and is recorded on a specific account basis. As a percentage of total revenue, bad debt expense was 4.5% for the year ended December 31, 2015 compared to 5.6% for the year ended December 31, 2014.

Research and Development Expense. Research and development expense was $7.1 million for the year ended December 31, 2015 compared to $7.4 million for the year ended December 31, 2014. The decrease of $0.3 million, or 3.9%, was due to a decrease in consulting expense related to our next generation device. As a percent of total revenue, research and development expense was 4.0% for the year ended December 31, 2015 compared to 4.4% for the year ended December 31, 2014.

Other Charges. Other charges were $6.1 million for the year ended December 31, 2015. Legal charges of $5.8 million were related primarily to patent litigation. The severance and employee related costs of $0.3 million were associated with activities surrounding our 2014 acquisitions. Other charges were 3.4% of total revenue for the year ended December 31, 2015.

Other charges were $7.1 million for the year ended December 31, 2014. Legal charges of $4.7 million were related to patent litigation, the Civil Investigative Demand and acquisition related matters which were net of a $0.9 million reversal of a legal accrual related to the Mednet acquisition. The severance and employee related costs of $1.7 million and professional fees of $0.7 million were associated with activities surrounding the 2014 acquisitions. Other charges are costs that management does not consider necessary to the ongoing business operations. Other charges were 4.3% of total revenue for the year ended December 31, 2014.

Interest and Other Loss, net. Interest and other loss, net was $1.6 million for the year ended December 31, 2015 compared to $7.8 million for the year ended December 31, 2014. The $6.2 million decrease was due to the non-operating charge of $6.4 million that we recorded in 2014 for the settlement with the Department of Justice. This decrease was partially offset by an increase related to additional interest expense due to the expanded debt capacity that we secured in the fourth quarter 2014.

Income Taxes. At December 31, 2015, our effective tax rate was a provision of 5.9% and we had income tax expense of $0.5 million for the year ended December 31, 2015, primarily due to AMT levied on current year taxable income net of allowable AMT net operating loss carryovers, as well as an increase in the deferred tax liability created by the book to tax differences on indefinite-lived intangible assets. At December 31, 2014, our effective tax rate was a benefit of 19.1% and we recorded $2.5 million of a tax benefit for the year ended December 31, 2014 related to the Mednet acquisition that occurred in January 2014. This was partially offset by $0.2 million in tax expense primarily for state income tax.

Net Income (Loss). We recognized net income of $7.4 million for the year ended December 31, 2015 compared to a net loss of $9.8 million for the year ended December 31, 2014.

Liquidity and Capital Resources

As of December 31, 2016, our principal source of liquidity was cash and cash equivalents of $23.1 million and net accounts receivable of $26.9 million. We had working capital of $28.1 million as of December 31, 2016.

We generated $38.9 million of cash from operations for the twelve months ended December 31, 2016. Our ongoing operations during this period resulted in net income of $53.4 million, which was offset by $7.0 million of non-cash income. Non-cash income related to our non-cash tax benefit, partially offset by bad debt, depreciation, amortization and stock compensation expense. Additionally, $7.5 million of cash was used for working capital.

We used $36.2 million of cash in investing activities for the twelve months ended December 31, 2016. We used $7.0 million for the acquisition of Telcare, $15.0 million, net of cash acquired, for the acquisition of VirtualScopics and $3.0 million for the acquisition of the ePatch division of DELTA. In addition, for the year ended December 31, 2016, we used $10.9 million of cash for capital purchases, primarily related to the investment in medical devices in the Healthcare and Research segments for use in our ongoing operations and the investment in internally developed software.

On December 30, 2014, we entered into a $25.0 million term loan and $15.0 million revolving credit facility with Healthcare Financial Solutions, LLC, ("HFS"), previously The General Electric Capital Corporation. As of December 31, 2016, $3.0 million was drawn on the Revolving Loans.

Contractual Obligations and Commitments

The following table describes our long-term contractual obligations and commitments as of December 31, 2016:

	(in thousands) Payments due by period						
Contractual obligations	Total	2017	2018	2019	2020	2021	Beyond
Operating lease obligations	$ 17,021	3,992	3,720	2,660	2,335	1,140	3,174
Capital lease obligations	288	162	66	35	25	—	—
Debt and interest obligations	29,379	2,511	3,676	23,192	—	—	—

As of December 31, 2016, we were bound under facility leases and several office equipment leases that are included in the table above. Our debt bears interest at an annual rate of LIBOR plus 4.0%, subject to a LIBOR floor of 1.0%. If LIBOR rates increase, obligations will increase above the amounts disclosed above. Additionally, the Credit Agreement contains excess payment terms based on the company's financial position which could accelerate our obligated payments.

Recent Accounting Pronouncements

Accounting Pronouncements Recently Adopted

In March 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-09. The standard revises the accounting for certain aspects of share-based compensation arrangements and requires any excess tax benefits or tax deficiencies to be recorded directly in the income statement when such awards vest or settle. In addition, the cash flows related to any excess tax benefits will no longer be separately classified as a financing activity, but will rather be classified as an operating activity, along with all other income tax cash flows. The standard also makes certain changes to the way the treasury stock method is applied when calculating diluted net income per share, as well as allows for a policy election to account for forfeitures as they occur, rather than using the estimation method currently prescribed by ASC 718. The standard is effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted.

We elected to early adopt the standard during the fourth quarter of 2016. The standard requires the recognition of any pre-adoption date net operating loss ("NOL") carryforwards from share-based compensation arrangements to be recognized on a modified retrospective basis, through an opening retained earnings adjustment on January 1, 2016. Any income tax effects from share-based compensation arrangements arising after January 1, 2016 will be recognized prospectively in the income statement during the period of adoption.

Upon adoption, we recognized all previously unrecognized tax benefits which resulted in a cumulative-effect adjustment of $1.8 million to our accumulated deficit. These previously unrecognized tax benefits were recorded as a deferred tax asset, which was fully offset by a valuation allowance on January 1, 2016, thus there was no net impact from the adoption of ASU 2016-09 as of the same date. In addition, we recognized excess tax benefits as an adjustment to our previously reported benefit from (provision for) income taxes of $0.1 million, $0.4 million and $0.1 million for the quarters ended March 31, 2016, June 30, 2016 and September 30, 2016, respectively. The weighted average number of common shares outstanding for calculating diluted net income per share increased by 340,000 to 550,000 for each quarter of 2016. Basic and diluted net income per share increased by $0.01 for the three months ended June 30, 2016. Net income per share for the three months ended March 30, 2016 and September 30, 2016 were not changed by the adoption of ASU 2016-09. Recast quarterly net income and basic and diluted net income per share for the first three quarters of 2016 is disclosed in Note 17.

Our adoption of the standard did not have any impact to our consolidated statements of cash flows as no NOL carryforwards from share-based compensation arrangements were recognized prior to January 1, 2016, due to our use of the "with and without" method of accounting for equity-generated NOL carryforwards. We have elected to continue to estimate forfeitures under the true-up provision of ASC 718. The adoption of this standard decreased our effective tax rate by 11.1% for the year ended December 31, 2016.

Accounting Pronouncements Not Yet Adopted

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*. The standard eliminates step two in the current two-step impairment test under ASC 350. Under the new standard, a goodwill impairment will be recorded for any excess of a reporting unit's carrying value over its fair value. A prospective transition approach is required. The standard is effective for annual and interim reporting periods beginning after December 15, 2019 with early adoption permitted for annual and interim goodwill impairment testing dates after January 1, 2017. We plan to early adopt the standard at the time of our 2017 goodwill impairment testing date and do not expect the standard to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard will require lessees to recognize most leases on their balance sheet and makes selected changes to lessor accounting. The standard is effective for annual and interim reporting periods beginning after December 15, 2018. A modified retrospective transition approach is required, with certain practical expedients available. We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. The standard will require inventory to be measured at the lower of cost or net realizable value. The guidance will not apply to inventories for which cost is determined using the last-in, first-out method or the retail inventory method. The standard is effective for annual and interim reporting periods beginning after December 15, 2016. We are currently evaluating the impact that the adoption of this standard will have on Telcare, which was acquired in December 2016. We do not expect the adoption of this standard to have a material impact on the other components of our business.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which has been updated through several revisions and clarifications since its original issuance. The standard will require revenue recognized to represent the transfer of promised goods or services to customers at an amount that reflects the consideration which a company expects to receive in exchange for those goods or services. The standard also requires new, expanded disclosures regarding revenue recognition. The standard will be effective January 1, 2018 with early adoption permissible beginning January 1, 2017. We are currently evaluating the transition method we will elect. We are evaluating the specific impacts the standard will have on Healthcare revenue, particularly related to the valuation of revenue, accounts receivable and bad debt expense. We are evaluating the impact the standard will have on Research revenue, which involves reviewing a large number of long-term contracts. We do not expect the standard to have a material impact on Technology revenue.

Off-Balance Sheet Arrangements

As of December 31, 2016 and 2015, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities 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.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our cash and cash equivalents as of December 31, 2016 were $23.1 million. We do not invest in any short-term or long-term securities, nor do we use derivative financial instruments for trading or speculative purposes.

At December 31, 2016, we had $25.8 million of variable rate debt, exclusive of debt discounts and deferred charges, at an annual rate of LIBOR plus 4.0%, subject to a LIBOR floor of 1.0%. An increase in LIBOR rates above 1.0% would result in an incremental increase in interest expense.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
BioTelemetry, Inc.

We have audited the accompanying consolidated balance sheets of BioTelemetry, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of BioTelemetry, Inc. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for share-based payments to employees as a result of the adoption of the amendments to the FASB Accounting Standards Codification resulting from Accounting Standards Update No. 2016-09, "Improvements to Employee Share-Based Payment Accounting," effective January 1, 2016.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), BioTelemetry, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 22, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania
February 22, 2017

BIOTELEMETRY, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share amounts)

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 23,052	$ 18,986
Healthcare accounts receivable, net of allowance for doubtful accounts of $12,198 and $11,185 at December 31, 2016 and 2015, respectively	14,594	15,179
Other accounts receivable, net of allowance for doubtful accounts of $665 and $416 at December 31, 2016 and 2015, respectively	12,261	8,997
Inventory	5,176	2,378
Prepaid expenses and other current assets	4,477	1,505
Total current assets	59,560	47,045
Property and equipment, net	25,823	25,554
Intangible assets, net	33,472	19,981
Goodwill	41,068	29,831
Deferred tax asset	36,636	—
Other assets	2,425	1,732
Total assets	$ 198,984	$ 124,143
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 12,425	$ 8,496
Accrued liabilities	13,698	11,230
Current portion of capital leases obligations	162	287
Current portion of long-term debt	1,250	1,250
Deferred revenue	3,972	2,625
Total current liabilities	31,507	23,888
Deferred tax liability	—	1,233
Long-term portion of capital lease obligations	126	101
Long-term debt	23,911	21,944
Other long-term liabilities	4,526	1,051
Total liabilities	60,070	48,217
Shareholders' equity:		
Common stock—$.001 par value as of December 31, 2016 and 2015; 200,000,000 shares authorized as of December 31, 2016 and 2015; 28,261,503 and 27,277,939 shares issued and outstanding at December 31, 2016 and 2015, respectively	28	27
Paid-in capital	281,642	272,070
Accumulated other comprehensive loss	(34)	(12)
Accumulated deficit	(142,722)	(196,159)
Total shareholders' equity	138,914	75,926
Total liabilities and shareholders' equity	$ 198,984	$ 124,143

See accompanying notes.

BIOTELEMETRY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(In thousands, except share and per share amounts)

	Year Ended December 31,		
	2016	2015	2014
Revenue:			
Healthcare	$ 165,664	$ 145,963	$ 133,178
Research	32,565	21,853	19,744
Technology	10,103	10,697	13,656
Total revenue	208,332	178,513	166,578
Cost of revenue:			
Healthcare	53,559	51,693	54,942
Research	18,395	12,728	10,646
Technology	6,928	7,535	7,526
Total cost of revenue:	78,882	71,956	73,114
Gross profit	129,450	106,557	93,464
Operating expenses:			
General and administrative	55,877	47,882	45,131
Sales and marketing	28,636	27,936	28,805
Bad debt expense	9,931	8,047	9,347
Research and development	8,355	7,111	7,396
Other charges	8,639	6,063	7,098
Total operating expenses	111,438	97,039	97,777
Income (loss) from operations	18,012	9,518	(4,313)
Interest and other loss, net	(2,242)	(1,622)	(7,793)
Income (loss) before income taxes	15,770	7,896	(12,106)
Benefit from (provision for) income taxes	37,667	(468)	2,313
Net income (loss)	$ 53,437	$ 7,428	$ (9,793)
Other comprehensive loss:			
Foreign currency translation loss	(22)	(12)	—
Comprehensive income (loss)	$ 53,415	$ 7,416	$ (9,793)
Net income (loss) per common share:			
Basic	$ 1.91	$ 0.27	$ (0.37)
Diluted	$ 1.75	$ 0.26	$ (0.37)
Weighted average number of common shares outstanding:			
Basic	27,920,150	27,116,300	26,444,626
Diluted	30,489,081	29,089,211	26,444,626

See accompanying notes.

BIOTELEMETRY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, except share and per share amounts)

	Year Ended December 31,		
	2016	2015	2014
Operating activities			
Net income (loss)	$ 53,437	$ 7,428	$ (9,793)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Bad debt expense	9,931	8,047	9,347
Depreciation	10,547	8,987	8,858
Non-cash lease expense (income)	170	(14)	355
Non-cash tax (benefit) expense	(38,141)	245	(2,499)
Stock-based compensation	6,502	4,952	4,037
Amortization of intangibles	3,722	3,501	3,692
Accretion of debt discount and amortization of deferred charges	217	259	—
Loss on extinguishment of debt	—	—	203
Changes in operating assets and liabilities:			
Healthcare and other accounts receivable	(8,707)	(7,677)	(12,795)
Inventory	(753)	188	299
Prepaid expenses and other assets	(763)	(3)	(128)
Accounts payable	3,145	(4,699)	47
Accrued and other liabilities	(456)	(464)	788
Liability associated with the Civil Investigative Demand	—	(6,400)	6,400
Net cash provided by operating activities	38,851	14,350	8,811
Investing activities			
Acquisition of businesses, net of cash acquired	(24,970)	—	(14,100)
Purchases of property and equipment and investment in internally developed software	(10,899)	(13,600)	(12,781)
Investment in equity method investee	(312)	—	—
Net cash used in investing activities	(36,181)	(13,600)	(26,881)
Financing activities			
Proceeds related to the exercising of stock options and employee stock purchase plan	2,519	1,222	1,400
Tax payments related to the vesting of shares	(2,333)	(1,575)	(349)
Issuance of long-term debt	—	—	41,838
Borrowings under revolving loans	14,500	—	—
Principal payments on revolving loans	(11,500)	—	—
Principal payments on long-term debt	(1,438)	(938)	(26,434)
Principal payments on capital lease obligations	(321)	(480)	(529)
Net cash provided by (used in) financing activities	1,427	(1,771)	15,926
Effect of exchange rate changes on cash	(31)	—	—
Net increase (decrease) in cash and cash equivalents	4,066	(1,021)	(2,144)
Cash and cash equivalents—beginning of period	18,986	20,007	22,151
Cash and cash equivalents—end of period	$ 23,052	$ 18,986	$ 20,007
Supplemental disclosure of cash flow information			
Cash paid for interest	$ 1,273	$ 1,044	$ 856
Cash paid for taxes	$ 359	$ 384	$ 148

See accompanying notes.

BIOTELEMETRY, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except share amounts)

	Shareholders' Equity					
	Common Stock					
	Shares	Amount	Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
Balance December 31, 2013	25,812,754	$ 26	$260,597	—	$ (193,794)	$ 66,829
Exercise of stock options and purchase of shares related to the employee stock purchase plan	503,036	1	1,050	—	—	1,051
Stock-based compensation	195,437	—	4,037	—	—	4,037
Issuance of stock related to business combinations	182,021	—	1,552	—	—	1,552
Net loss	—	—	—	—	(9,793)	(9,793)
Balance December 31, 2014	26,693,248	27	267,236	—	(203,587)	63,676
Exercise of stock options and purchase of shares related to the employee stock purchase plan	268,448	—	1,222	—	—	1,222
Stock-based compensation	451,116	—	4,952	—	—	4,952
RSUs withheld to cover taxes	(167,090)	—	(1,575)	—	—	(1,575)
Issuance of stock related to 2014 business combination	32,217	—	235	—	—	235
Currency translation adjustment	—	—	—	$ (12)	—	(12)
Net income	—	—	—	—	7,428	7,428
Balance December 31, 2015	27,277,939	27	272,070	(12)	(196,159)	75,926
Exercise of stock options and purchase of shares related to the employee stock purchase plan	473,034	1	2,518	—	—	2,519
Stock-based compensation	444,878	—	6,502	—	—	6,502
RSUs and PSUs withheld to cover taxes	(178,867)	—	(2,333)	—	—	(2,333)
Issuance of stock related to business combination	244,519	—	2,885	—	—	2,885
Currency translation adjustment	—	—	—	(22)	—	(22)
Net income	—	—	—	—	53,437	53,437
Balance December 31, 2016	28,261,503	$ 28	$281,642	$ (34)	$ (142,722)	$ 138,914

See accompanying notes.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

1. Organization and Description of Business

BioTelemetry, Inc. ("BioTelemetry," "Company", "we," "our" or "us"), a Delaware corporation, provides cardiac monitoring services, cardiac monitoring device manufacturing and central core laboratory services.

We operate under three reportable segments: (1) Healthcare, (2) Research and (3) Technology. The Healthcare segment is focused on the diagnosis and monitoring of cardiac arrhythmias, or heart rhythm disorders. We offer cardiologists and electrophysiologists a full spectrum of solutions which provides them with a single source of cardiac monitoring services. These services range from the differentiated mobile cardiac telemetry service ("MCT") service marketed as Mobile Cardiac Outpatient Telemetry™ ("MCOT™") or External Cardiac Ambulatory Telemetry ("ECAT"), to wireless and trans telephonic event, Holter, Pacemaker and International Normalized Ratio ("INR") monitoring. Since we became focused on cardiac monitoring in 1999, we have developed a proprietary integrated patient management platform that incorporates a wireless data transmission network, Food and Drug Administration ("FDA") cleared algorithms and medical devices and 24-hour monitoring service centers. The Research segment is engaged in central core laboratory services providing cardiac monitoring, imaging services, scientific consulting and data management services for drug and medical device trials. The Technology segment focuses on the development, manufacturing, testing and marketing of medical devices to medical companies, clinics and hospitals.

On December 1, 2016, the Company entered into a Share and Asset Purchase Agreement ("Agreement") with Telcare, Inc. ("Telcare") pursuant to which the Company acquired the stock of Telcare Medical Supply, Inc. and certain assets of Telcare. The total consideration paid at closing amounted to $7,000 in cash, with the potential for a performance-based earn out up to $5,000 upon reaching certain milestones, as defined in the Agreement. The fair value of the total consideration transferred in the acquisition, including contingent consideration, was $9,700 at the acquisition date. Telcare is included in the Technology segment.

On May 11, 2016, the Company completed the acquisition of VirtualScopics, Inc. ("VirtualScopics"), a leading provider of clinical trial imaging solutions. The all cash Tender Offer commenced on April 8, 2016 and ended on May 9, 2016, pursuant to which the business and operations of VirtualScopics were acquired by the Company. The total consideration paid at closing amounted to $14,970, net of cash acquired of $849. VirtualScopics is included in the Research segment.

On April 1, 2016, the Company entered into an Asset Purchase Agreement ("APA") with DELTA Danish Electronics, Light, and Acoustics ("DELTA"), pursuant to which the Company acquired substantially all of the assets of the ePatch division of DELTA ("ePatch"), inclusive of all products and indications currently under development. The total consideration paid at closing amounted to $3,000 in cash and 244,519 shares of the Company's common stock valued at $2,885. In addition, there is the potential for a performance-based earn out up to $3,000 upon reaching certain milestones, as defined in the APA. The fair value of the total consideration transferred in the acquisition, including contingent consideration, was $6,490 at the acquisition date. ePatch is included in the Technology segment.

In June 2014, we completed the acquisition of the assets of RadCore Lab, LLC ("RadCore"), an imaging core lab serving the biopharmaceutical and medical device research market. RadCore is included in the Research segment.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

1. Organization and Description of Business (Continued)

In April 2014, we completed the acquisition of substantially all of the assets of Biomedical Systems Corporation's ("BMS") cardiac event monitoring, Holter monitoring and mobile telemetry monitoring services. BMS is primarily included in the Healthcare segment.

In January 2014, we completed the acquisition of Mednet Healthcare Technologies, Inc., Heartcare Corporation of America, Inc., Universal Medical, Inc. and Universal Medical Laboratory, Inc. (together, "Mednet"). Mednet provides cardiac monitoring services and is an original equipment manufacturer of cardiac monitoring devices. Mednet is included in the Healthcare and Technology segment.

Our common stock is traded on The NASDAQ Global Select Market under our symbol, "BEAT."

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of BioTelemetry and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Fair Value of Financial Instruments

Fair value is defined as the exit price, the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as defined below. Observable inputs are inputs a market participant would use in valuing an asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's own assumptions about the factors a market participant would use in valuing an asset or liability developed using the best information available in the circumstances. The classification of an asset's or liability's level within the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Level 1—Quoted prices in active markets for an identical asset or liability.

Level 2—Inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the asset or liability.

Level 3—Inputs that are unobservable for the asset or liability, based on the Company's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

Our financial instruments consist primarily of cash and cash equivalents, Healthcare accounts receivable, other accounts receivable, accounts payable, short-term debt and long-term debt. With the exception of the long-term debt, the carrying value of these financial instruments approximates their fair value because of their short-term nature (classified as Level 1). For long-term debt, based on the borrowing rates currently available, the fair value was determined to be $25,813 as of December 31, 2016. This is equal to the nominal value, which is the carrying value, exclusive of debt discount and deferred charges (classified as Level 2).

The fair value of contingent consideration is measured on a recurring basis using unobservable inputs such as projected payment dates, probabilities of meeting specified milestones and other such variables resulting in payment amounts which are discounted back to present value using a probability-weighted discounted cash flow model (classified as Level 3). Adjustments to contingent consideration are recorded under other charges.

In addition to the recurring fair value measurements, the fair value of assets acquired and liabilities assumed in connection with a business combination are recorded at the acquisition date, using a discounted cash flow model (classified as Level 3). This valuation technique requires the Company to make certain assumptions, including, but not limited to, future operating performance and cash flows, royalty rate and other such variables which are discounted to present value using a discount rate that reflects the risk factors associated with future cash flow, the characteristics of the assets acquired and liabilities assumed and the experience of the acquired business.

Cash and Cash Equivalents

Cash and cash equivalents are held in financial institutions or in custodial accounts with financial institutions. Cash equivalents are defined as liquid investments and money market funds with maturity from date of purchase of 90 days or less that are readily convertible into cash and have minimal interest rate risk.

Accounts Receivable and Allowance for Doubtful Accounts

Healthcare accounts receivable is related to the Healthcare segment and is recorded at the time revenue is recognized, net of contractual allowances, and is presented on the consolidated balance sheet net of an allowance for doubtful accounts. The ultimate collection of accounts receivable may not be known for several months after services have been provided and billed. We record an allowance for doubtful accounts based on the aging of receivables using historical data. The percentages and amounts used to record bad debt expense and the allowance for doubtful accounts are supported by various methods and analyses, including current and historical cash collections and the aging of receivables by payor. Because of continuing changes in the health care industry and third-party reimbursement, it is possible that our estimates of collectability could change, which could have a material impact on our operations and cash flows.

Other accounts receivable is related to the Technology and Research segments and is recorded at the time revenue is recognized, or when products are shipped or services are performed. We estimate

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

an allowance for doubtful accounts on a specific account basis, and consider several factors in our analysis including customer specific information and the aging of the account.

We write-off receivables when the likelihood for collection is remote and when we believe collection efforts have been fully exhausted and we do not intend to devote additional resources in attempting to collect. We perform write-offs on a monthly basis. In the Healthcare segment, we wrote-off $8,440 and $7,082 of receivables for the years ended December 31, 2016 and 2015, respectively. The impact was a reduction of gross accounts receivable and a reduction in the allowance for doubtful accounts. There were no material write-offs in the Technology and Research segments. Additionally, we recorded bad debt expense of $9,931, $8,047 and $9,347 for the years ended December 31, 2016, 2015 and 2014, respectively.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash, cash equivalents, Healthcare accounts receivables and other accounts receivables. We maintain our cash and cash equivalents with high quality financial institutions to mitigate this risk. We perform ongoing credit evaluations of our customers and generally do not require collateral. We record an allowance for doubtful accounts in accordance with the procedures described above. Past-due amounts are written-off against the allowance for doubtful accounts when collections are believed to be unlikely and all collection efforts have ceased.

At December 31, 2016, 2015 and 2014, one payor, Medicare, accounted for 11%, 13% and 16%, respectively, of our gross accounts receivable.

Inventory

Inventory is valued at the lower of cost (using first-in, first-out cost method) or market (net realizable value or replacement cost). Management reviews inventory for specific future usage, and estimates of impairment of individual inventory items are recorded to reduce inventory to the lower of cost or market.

Property and Equipment

Property and equipment is recorded at cost, except for assets acquired in business combinations, which are recorded at fair value as of the acquisition date. Depreciation is recorded over the estimated useful life of each class of depreciable assets, and is computed using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated asset life or term of the lease. Repairs and maintenance costs are charged to expense as incurred. Costs of additions and improvements are capitalized.

Impairment of Long-Lived Assets

The carrying value of long-lived assets, other than goodwill and indefinite-lived intangible assets, is evaluated when events or changes in circumstances indicate the carrying value may not be recoverable

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

or the useful life has changed. We consider historical performance and anticipated future results in our evaluation of potential impairment. Accordingly, when indicators of impairment are present, we evaluate the carrying value of these assets in relation to the operating performance of the business and the undiscounted cash flows expected to result from the use of these assets. If the carrying amount of a long-lived asset exceeds its expected undiscounted cash flows, an impairment charge is recognized to the extent the carrying amount exceeds it's fair value.

Equity Method Investments

We account for investments using the equity method of accounting if the investment provides us the ability to exercise significant influence, but not control, over the investee. Significant influence is generally deemed to exist if the Company's ownership interest in the voting stock of the investee ranges between 20% and 50%, although other factors, such as representation on the investee's board of directors, are considered in determining whether the equity method of accounting is appropriate. Under the equity method of accounting, the investment is recorded at cost in the consolidated balance sheets under other assets and adjusted for dividends received and our share of the investee's earnings or losses together with other-than-temporary impairments which are recorded through interest and other loss, net in the consolidated statements of operations and comprehensive income (loss).

Goodwill and Acquired Intangible Assets

Goodwill is the excess of the purchase price of an acquired business over the amounts assigned to assets acquired and liabilities assumed in a business combination. In accordance with *ASC 350, Intangibles—Goodwill and Other* ("ASC 350"), goodwill is reviewed for impairment annually, or when events arise that could indicate that an impairment exists. Initially, we qualitatively assess whether it is more-likely-than-not that an impairment exists for each of our reporting units. Such qualitative factors can include, among others, industry and market conditions, present and anticipated sales and cost factors, overall financial performance and relevant entity-specific events. If we conclude based on our qualitative assessment that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value, we perform a two-step impairment test in accordance with ASC 350. In the first step, we compare the fair value of our reporting units to the carrying value of the reporting units. If the carrying value of the net assets assigned to the reporting units exceeds the fair value of the reporting units, then the second step of the impairment test is performed in order to determine the implied fair value of the reporting units' goodwill. If the carrying value of the reporting units' goodwill exceeds the implied fair value of those reporting units, an impairment loss equal to the difference is recorded.

For the purpose of performing our goodwill impairment analysis, we consider our business to be comprised of three reporting units: Healthcare, Technology and Research. When performing a quantitative analysis, we calculate the fair value of the reporting units utilizing a weighting of the income and market approaches. The income approach is based on a discounted cash flow methodology that includes assumptions for, among other things, forecasted income, cash flow, growth rates, income tax rates, expected tax benefits and long-term discount rates, all of which require significant judgment. The market approach utilizes our market data as well as market data from publicly-traded companies that are similar to us. There are inherent uncertainties related to these factors and the judgment

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

applied in the analysis. We believe that the combination of an income and a market approach provides a reasonable basis to estimate the fair value of our reporting units.

Acquired intangible assets are recorded at fair value on the acquisition date. The estimated fair values and useful lives of intangible assets are determined by assessing many factors including estimates of future operating performance and cash flows of the acquired business, the characteristics of the intangible assets and the experience of the acquired business. Independent appraisal firms may assist with the valuation of acquired assets. The impairment test for indefinite-lived intangible assets other than goodwill consists of a comparison of the fair value of the indefinite-lived intangible asset to the carrying value of the asset. We estimate the fair value of the indefinite-lived intangibles using the relief from royalty method.

Revenue Recognition

We recognize approximately 79% of our total revenue from patient monitoring services in our Healthcare segment. We receive a significant portion of this revenue from third-party commercial payors and governmental entities. We also receive reimbursement directly from patients through co-pays, deductibles and self-pay arrangements. Revenue from the Medicare program is based on reimbursement rates set by CMS. Revenue from contracted commercial payors is recorded at the negotiated contractual rate. Revenue from non-contracted commercial payors is recorded at net realizable value based on historical payment patterns. Adjustments to the estimated net realizable value, based on final settlement with the third-party payors, are recorded upon settlement. If we do not have consistent historical information regarding collectability from a given payor, revenue is recognized when cash is received. Unearned amounts are appropriately deferred until service has been completed. For the years ended December 31, 2016, 2015 and 2014, revenue from Medicare as a percentage of total revenue was 33%, 34% and 32%, respectively.

Research revenue includes revenue for core laboratory services. Our Research revenue is provided on a fee-for-service basis, and revenue is recognized as the related services are performed. We also provide consulting services on a time and materials basis and recognize revenue as we perform the services. Our site support revenue, consisting of equipment rentals and sales along with related supplies and logistics management, are recognized at the time of sale or over the rental period. Under a typical contract, customers pay us a portion of our fee for these services upon contract execution as an upfront deposit, some of which is typically non-refundable upon contract termination. Unearned revenue, including upfront deposits, are deferred, and then recognized as the services are performed.

Revenue in our Technology segment is received from the sale of products, product repair and supplies which are recognized when shipped, or as service is completed.

For arrangements with multiple deliverables, the revenue is allocated to each element (both delivered and undelivered items) based on their relative selling prices or management's best estimate of their selling prices, when vendor-specific or third-party evidence is unavailable.

We record reimbursements received for out-of-pocket expenses, including freight, incurred as revenue in the accompanying consolidated statements of operations and comprehensive income (loss).

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

Revenue generally is recognized net of any taxes collected from customers and subsequently remitted to government authorities.

Stock-Based Compensation

ASC 718, *Compensation—Stock Compensation* ("ASC 718"), addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for: (i) equity instruments of the enterprise or (ii) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. ASC 718 requires that an entity measures the cost of equity-based service awards based on the grant-date fair value of the award and recognizes the cost of such awards over the period during which the employee is required to provide service in exchange for the award (the vesting period). ASC 718 requires that an entity measure the cost of liability-based service awards based on current fair value that is remeasured subsequently at each reporting date through the settlement date. The compensation expense associated with performance stock units is recognized over the period between when the performance conditions are deemed probable of achievement and when the awards are vested. We account for equity awards issued to non-employees in accordance with ASC 505-50, *Equity-Based Payments to Non-Employees*.

Research and Development Costs

Research and development costs are charged to expense as incurred.

Income Taxes

We account for income taxes under the liability method, as described in ASC 740, *Income Taxes* ("ASC 740"). Deferred income taxes are recognized for the tax consequences of temporary differences between the tax and financial statement reporting bases of assets and liabilities. When we determine that we will not be able to realize our deferred tax assets, we adjust the carrying value of the deferred tax asset through the valuation allowance.

We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (i) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (ii) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

Net Income (Loss) Per Share

We compute net income (loss) per share in accordance with ASC 260, *Earnings Per Share*. Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by giving effect to all potential dilutive common shares, including stock options and Restricted Stock Units ("RSUs").

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

The following table presents the calculation of historical basic and diluted net income (loss) per share:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands, except per share amounts)		
Numerator:			
Net income (loss)	$ 53,437	$ 7,428	$ (9,793)
Denominator:			
Weighted average shares used in computing basic net income (loss) per share	27,920,150	27,116,300	26,444,626
Potential dilutive common shares due to dilutive stock option and restricted stock units	2,568,931	1,972,911	—
Weighted average shares used in computing diluted net income (loss) per share	30,489,081	29,089,211	26,444,626
Net income (loss) per share:			
Basic net income (loss) per share	$ 1.91	$ 0.27	$ (0.37)
Diluted net income (loss) per share	$ 1.75	$ 0.26	$ (0.37)

If the outstanding vested options or RSUs were exercised or converted into common stock, the result would be anti-dilutive for the year ended December 31, 2014. Accordingly, basic and diluted net loss per share are the same for the year ended December 31, 2014. Additionally, certain stock options, which are priced higher than the market price of our shares as of December 31, 2016 and 2015, would be anti-dilutive and therefore have been excluded from the weighted average shares used in computing diluted net income per share. These options could become dilutive in future periods.

Segment Information

ASC 280, *Segment Reporting*, establishes standards for reporting information regarding operating segments in annual financial statements. Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group in making decisions on how to allocate resources and assess performance.

We report our business under three segments: Healthcare, Research and Technology. The Healthcare segment is focused on the monitoring of cardiac arrhythmias or heart rhythm disorders in a health care setting. The Research segment provides central core laboratory services in a research environment, which includes certain equipment rental and device sales. The Technology segment

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

focuses on the development, manufacturing, testing and marketing of medical devices to medical companies, clinics and hospitals.

Recent Accounting Pronouncements

Accounting Pronouncements Recently Adopted

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, *Improvements to Employee Share-Based Payment Accounting*. The standard revises the accounting for certain aspects of share-based compensation arrangements and requires any excess tax benefits or tax deficiencies to be recorded directly in the income statement when such awards vest or settle. In addition, the cash flows related to any excess tax benefits will no longer be separately classified as a financing activity, but will rather be classified as an operating activity, along with all other income tax cash flows. The standard also makes certain changes to the way the treasury stock method is applied when calculating diluted net income per share, as well as allows for a policy election to account for forfeitures as they occur, rather than using the estimation method currently prescribed by ASC 718. The standard is effective for annual and interim periods beginning after December 15, 2016, with early adoption permitted.

We elected to early adopt the standard during the fourth quarter of 2016. The standard requires the recognition of any pre-adoption date net operating loss ("NOL") carryforwards from share-based compensation arrangements to be recognized on a modified retrospective basis, through an opening retained earnings adjustment on January 1, 2016. Any income tax effects from share-based compensation arrangements arising after January 1, 2016 will be recognized prospectively in the income statement during the period of adoption.

Upon adoption, we recognized all previously unrecognized tax benefits which resulted in a cumulative-effect adjustment of $1,752 to our accumulated deficit. These previously unrecognized tax benefits were recorded as a deferred tax asset, which was fully offset by a valuation allowance on January 1, 2016, thus there was no net impact from the adoption of ASU 2016-09 as of the same date. In addition, we recognized excess tax benefits as an adjustment to our previously reported benefit from (provision for) income taxes of $127, $362 and $94 for the quarters ended March 31, 2016, June 30, 2016 and September 30, 2016, respectively. The weighted average number of common shares outstanding for calculating diluted net income per share increased by 340,000 to 550,000 for each quarter of 2016. Basic and diluted net income per share increased by $0.01 for the three months ended June 30, 2016. Net income per share for the three months ended March 30, 2016 and September 30, 2016 were not changed by the adoption of ASU 2016-09. Recast quarterly net income and basic and diluted net income per share for the first three quarters of 2016 is disclosed in Note 17.

Our adoption of the standard did not have any impact to our consolidated statements of cash flows as no NOL carryforwards from share-based compensation arrangements were recognized prior to January 1, 2016, due to our use of the "with and without" method of accounting for equity-generated NOL carryforwards. We have elected to continue to estimate forfeitures under the true-up provision of ASC 718. The adoption of this standard decreased our effective tax rate by 11.1% for the year ended December 31, 2016.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

2. Summary of Significant Accounting Policies (Continued)

Accounting Pronouncements Not Yet Adopted

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*. The standard eliminates step two in the current two-step impairment test under ASC 350. Under the new standard, a goodwill impairment will be recorded for any excess of a reporting unit's carrying value over its fair value. A prospective transition approach is required. The standard is effective for annual and interim reporting periods beginning after December 15, 2019 with early adoption permitted for annual and interim goodwill impairment testing dates after January 1, 2017. We plan to early adopt the standard at the time of our 2017 goodwill impairment testing date and do not expect the standard to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard will require lessees to recognize most leases on their balance sheet and makes selected changes to lessor accounting. The standard is effective for annual and interim reporting periods beginning after December 15, 2018. A modified retrospective transition approach is required, with certain practical expedients available. We are currently evaluating the impact the adoption of this standard will have on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. The standard will require inventory to be measured at the lower of cost or net realizable value. The guidance will not apply to inventories for which cost is determined using the last-in, first-out method or the retail inventory method. The standard is effective for annual and interim reporting periods beginning after December 15, 2016. We are currently evaluating the impact that the adoption of this standard will have on Telcare, which was acquired in December 2016. We do not expect the adoption of this standard to have a material impact on the other components of our business.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which has been updated through several revisions and clarifications since its original issuance. The standard will require revenue recognized to represent the transfer of promised goods or services to customers at an amount that reflects the consideration which a company expects to receive in exchange for those goods or services. The standard also requires new, expanded disclosures regarding revenue recognition. The standard will be effective January 1, 2018 with early adoption permissible beginning January 1, 2017. We are currently evaluating the transition method we will elect. We are evaluating the specific impacts the standard will have on Healthcare revenue, particularly related to the valuation of revenue, accounts receivable and bad debt expense. We are evaluating the impact the standard will have on Research revenue, which involves reviewing a large number of long-term contracts. We do not expect the standard to have a material impact on Technology revenue.

3. Acquisitions

Telcare, Inc.

On December 1, 2016, the Company, through its wholly-owned subsidiary BioTelemetry Care Management, LLC, entered into the Agreement with Telcare pursuant to which the Company acquired the stock of Telcare Medical Supply, Inc. and certain assets of Telcare Inc. The total consideration paid

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

3. Acquisitions (Continued)

at closing amounted to $7,000 in cash, with the potential for a performance-based earn out up to $5,000 upon reaching certain financial milestones. The fair value of the total consideration transferred in the acquisition, including contingent consideration, was $9,700 at the acquisition date.

The acquisition of Telcare provides us the opportunity to apply our expertise in remote monitoring to the diabetes market and increases our presence in the digital population health management market. We accounted for the transaction as a business combination, and as such, all assets acquired and liabilities assumed were recorded at their estimated fair values. The excess of the fair value of the purchase price over the fair value of the net assets acquired has been recognized as goodwill, which represents the expected future benefits arising from the assembled workforce and other synergies attributable to cost savings opportunities. The Company recognized $3,363 of goodwill as a result of the acquisition, all of which has been assigned to the Technology segment. We expect $578 of this goodwill will be deductible for tax purposes.

The amounts below represent our preliminary fair value estimates as of December 31, 2016 and are subject to subsequent adjustment as additional information is obtained during the applicable measurement period. The primary areas of these preliminary estimates that are not yet finalized related to certain tangible assets acquired and liabilities assumed, including deferred taxes and inventory, as well as the identifiable intangible assets. The Company expects to finalize all accounting for the acquisition of Telcare within one year of the acquisition date.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

3. Acquisitions (Continued)

The total consideration and related preliminary allocation for Telcare is summarized as follows:

	Amount	Weighted Average Life (Years)
Fair value of assets acquired:		
Other accounts receivable	$ 235	
Inventory	1,834	
Prepaid expenses and other current assets	1,261	
Property and equipment	55	
Other assets	933	
Identifiable intangible assets:		
Customer relationships	400	5
Technology	2,000	5
Tradename	400	Indefinite
Total identifiable intangible assets	2,800	
Total assets acquired	7,118	
Fair value of liabilities assumed:		
Accounts payable	459	
Accrued liabilities	273	
Deferred revenue	49	
Total liabilities assumed	781	
Total identifiable net assets	6,337	
Goodwill	3,363	
Net assets acquired	$ 9,700	

The acquisition has been included within the consolidated results of operations and financial condition from the date of the acquisition. For the period from December 1, 2016 to December 31, 2016, Telcare contributed revenue of $1,081 and net income of $286 to our consolidated results of operations.

The following unaudited pro forma financial information has been prepared using historical financial results of the Company and Telcare as if the acquisition had occurred as of January 1, 2015. Certain adjustments related to the elimination of transaction costs, as well as the addition of depreciation and amortization related to fair value adjustments on the tangible and identifiable intangible assets acquired, have been reflected for the purposes of the unaudited pro forma financial information presented below. We believe the assumptions used in preparing the unaudited pro forma financial information are reasonable, but not necessarily indicative of actual results should the acquisition have occurred on January 1, 2015.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

3. Acquisitions (Continued)

Pro forma financial information for the periods presented is summarized as follows:

Unaudited pro forma information	Year Ended December 31, 2016	2015
Revenue	$ 212,538	$ 182,755
Net income	$ 50,693	$ 948
Net income per common share:		
Basic	$ 1.82	$ 0.03
Diluted	$ 1.66	$ 0.03
Weighted average number of common shares outstanding:		
Basic	27,920,150	27,116,300
Diluted	30,489,081	29,089,211

Contingent Consideration

The Agreement includes the potential for a performance-based earn out up to $5,000 upon reaching certain milestones. The fair value of the contingent consideration associated with the Telcare acquisition was $2,700 as of the acquisition date and at December 31, 2016 and is included as a component of other liabilities in the accompanying consolidated balance sheets.

The following summarizes the changes in our contingent consideration during the year ended December 31, 2016:

	Total Contingent Consideration
Balance at December 31, 2015	—
Purchase price contingent consideration	$ 2,700
Balance at December 31, 2016	$ 2,700

VirtualScopics, Inc.

On March 25, 2016, the Company, through its wholly-owned subsidiary BioTelemetry Research Acquisition Corporation, entered into a definitive Agreement and Plan of Merger ("Merger Agreement") with VirtualScopics, a leading provider of clinical trial imaging solutions. Under the terms of the Merger Agreement, the Company purchased: (i) any and all outstanding shares of VirtualScopics' $0.001 par value common stock for $4.05 per share; (ii) any and all outstanding shares of VirtualScopics' $0.001 par value Series A and Series B Convertible Preferred Stock for $336.30 per share; and (iii) any and all outstanding shares of VirtualScopics' $0.001 par value Series C-1 Convertible Preferred Stock for $920.00 per share. The all cash acquisition of VirtualScopics was

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

3. Acquisitions (Continued)

completed on May 11, 2016. The total consideration paid at closing amounted to $14,970, net of cash acquired of $849.

The acquisition of VirtualScopics expands the Company's existing clinical research offerings and gives the Company further access to established customer relationships. We accounted for the transaction as a business combination, and as such, all assets acquired and liabilities assumed were recorded at their estimated fair values. The excess of the consideration paid over the fair value of the net assets acquired has been recognized as goodwill, which represents the expected future benefits arising from the assembled workforce and other synergies attributable to cost savings opportunities. The Company recognized $4,693 of goodwill as a result of the acquisition, all of which has been assigned to the Research segment. We do not expect that any of this goodwill will be deductible for tax purposes.

The amounts below represent our preliminary fair value estimates as of December 31, 2016 and are subject to subsequent adjustment as additional information is obtained during the applicable measurement period. A measurement period adjustment was recorded in the fourth quarter of 2016 related to the recognition of a $272 deferred tax liability. The primary area of these preliminary allocations that are not yet finalized related to certain liabilities assumed. The Company expects to finalize all accounting for the acquisition of VirtualScopics within one year of the acquisition date.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

3. Acquisitions (Continued)

The total consideration and related preliminary allocation for VirtualScopics is summarized as follows:

	Amount	Weighted Average Life (Years)
Fair value of assets acquired:		
Cash and cash equivalents	$ 849	
Other accounts receivable	3,679	
Inventory	111	
Prepaid expenses and other current assets	396	
Property and equipment	500	
Identifiable intangible assets:		
Customer relationships	5,200	12
Technology	2,000	10
Backlog	3,100	4
Total identifiable intangible assets	10,300	
Total assets acquired	15,835	
Fair value of liabilities assumed:		
Accounts payable	325	
Accrued liabilities	3,003	
Current portion of capital lease obligations	59	
Current portion of long-term debt	91	
Deferred revenue	700	
Deferred tax liability	272	
Long-term capital lease obligations	162	
Long-term debt	97	
Total liabilities assumed	4,709	
Total identifiable net assets	11,126	
Goodwill	4,693	
Net assets acquired	$ 15,819	

The acquisition has been included within the consolidated results of operations and financial condition from the date of the acquisition. For the period from May 11, 2016 to December 31, 2016, VirtualScopics contributed revenue of $12,264 and net income of $1,442 to our consolidated results of operations.

The following unaudited pro forma financial information has been prepared using historical financial results of the Company and VirtualScopics as if the acquisition had occurred as of January 1, 2015. Certain adjustments related to the elimination of transaction costs and acquisition-related indebtedness, as well as the addition of depreciation and amortization related to fair value adjustments

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

3. Acquisitions (Continued)

on the tangible and identifiable intangible assets acquired, have been reflected for the purposes of the unaudited pro forma financial information presented below. No adjustments for synergies or certain other expected benefits of the acquisition have been included. We believe the assumptions used in preparing the unaudited pro forma financial information are reasonable, but not necessarily indicative of actual results should the acquisitions have occurred on January 1, 2015.

Pro forma financial information for the periods presented is summarized as follows:

	Year Ended December 31,	
Unaudited pro forma information	**2016**	**2015**
Revenue	$ 214,271	$ 191,230
Net income	$ 55,413	$ 7,232
Net income per common share:		
Basic	$ 1.98	$ 0.27
Diluted	$ 1.82	$ 0.25
Weighted average number of common shares outstanding:		
Basic	27,920,150	27,116,300
Diluted	30,489,081	29,089,211

ePatch Division of DELTA Danish Electronics, Light, and Acoustics

On April 1, 2016, the Company, through its wholly-owned subsidiary BioTelemetry Technology ApS, entered into an APA with DELTA, pursuant to which the Company acquired substantially all of the assets of the ePatch division of DELTA, inclusive of all products and indications currently under development. The total consideration paid at closing amounted to $3,000 in cash and 244,519 shares of the Company's common stock valued at $2,885. In addition, there is the potential for a performance-based earn out up to $3,000 upon reaching certain milestones, as defined in the APA. The fair value of the total consideration transferred in the ePatch acquisition, including contingent consideration, was $6,490 at the acquisition date.

The ePatch acquisition is expected to generate future cost savings for the Company and will provide control over proprietary components for the Company's next generation MCOT™ device. We accounted for the transaction as a business combination, and as such, all assets acquired and liabilities assumed were recorded at their estimated fair values. The excess of the fair value of the purchase price over the fair value of the net assets acquired has been recognized as goodwill, which represents the expected future benefits arising from the assembled workforce and other synergies attributable to cost savings opportunities. The Company recognized $3,181 of goodwill as a result of the acquisition, all of which has been assigned to the Technology segment. We expect all of this goodwill to be deductible for tax purposes.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

3. Acquisitions (Continued)

The amounts below represent our preliminary fair value estimates as of December 31, 2016 and are subject to subsequent adjustment as additional information is obtained during the applicable measurement period. During the fourth quarter, we reduced the allocation to the technology intangible asset by $200 as a result of additional information obtained during the measurement period. The primary area of these preliminary allocations that are not yet finalized related to certain liabilities assumed. The Company expects to finalize all accounting for the ePatch acquisition within one year of the acquisition date.

The total consideration and related preliminary allocation for the ePatch acquisition is summarized as follows:

	Amount	Weighted Average Life (Years)
Fair value of assets acquired:		
Inventory	$ 100	
Property and equipment	175	
Identifiable intangible assets:		
Customer relationships	400	10
Technology	2,800	10
Trade names	100	Indefinite
Total identifiable intangible assets	3,300	
Total assets acquired	3,575	
Fair value of liabilities assumed:		
Accrued liabilities	266	
Total liabilities assumed	266	
Total identifiable net assets	3,309	
Goodwill	3,181	
Net assets acquired	$ 6,490	

While the ePatch acquisition provides control over proprietary components of our next generation cardiac monitoring device, the acquisition did not have a material effect on our consolidated results of operations.

Contingent Consideration

The APA includes the potential for a performance-based earn out up to $3,000 upon reaching certain milestones. The fair value of the contingent consideration associated with the ePatch acquisition was $605 as of the acquisition date and at December 31, 2016 and is included as a component of other liabilities in the accompanying consolidated balance sheets.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

3. Acquisitions (Continued)

The following summarizes the changes in our contingent consideration during the year ended December 31, 2016:

	Total Contingent Consideration
Balance at December 31, 2015	—
Purchase price contingent consideration	$ 605
Balance at December 31, 2016	$ 605

RadCore Lab, LLC

On June 3, 2014, we acquired the assets of RadCore Lab, an imaging core lab serving the biopharmaceutical and medical device research market. This acquisition broadens our offerings and adds new oncology, musculoskeletal and neurological imaging capabilities, supported by a state-of-the-art, cloud-based analysis platform. We paid $400 in cash at closing and 22,513 shares of our common stock, valued at $200 at closing. While this acquisition provides growth potential, the acquisition of RadCore did not have a material effect on our consolidated financial condition, results of operations or cash flows.

Biomedical Systems Corporation

On April 3, 2014, we completed the acquisition of substantially all of the assets of BMS cardiac event monitoring, Holter monitoring and mobile telemetry monitoring services. The acquisition gave us access to internally developed Holter software and to established customer relationships. We paid $8,000 in cash at closing and 62,859 shares of our common stock, valued at $650 at closing. While the acquisition has been included within the consolidated results of operations and financial condition from the date of the acquisition, BMS did not have a material effect on our consolidated results of operations or cash flows.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

3. Acquisitions (Continued)

The purchase price allocation was completed in the first quarter of 2015. The amounts below represent the final fair value of assets acquired.

	Amount	Weighted Average Life (Years)
Fair value of assets acquired:		
Property and equipment	$ 882	
Identifiable intangible assets:		
Customer relationships	2,100	15
Technology	1,849	4
Covenants not to compete	260	7
Total identifiable intangible assets	4,209	
Total assets acquired	5,091	
Goodwill	3,559	
Net assets acquired	$ 8,650	

Goodwill recorded in connection with this acquisition is attributable to synergies expected to arise from cost savings opportunities. All of the recorded goodwill is included in the Healthcare segment.

Mednet Healthcare Technologies, Inc.

On January 31, 2014, we acquired Mednet. Mednet provides cardiac monitoring services and is an original equipment manufacturer of cardiac monitoring devices. The acquisition gave us access to established customer relationships. Upon the closing of the transaction, we acquired all of the issued and outstanding capital stock, and Mednet became a wholly-owned subsidiary. We paid $5,500 in cash at closing and 128,866 shares of our common stock, valued at $940 at closing. In addition, as a result of the acquisition, we assumed indebtedness from Mednet in the aggregate amount of $9,720, including interest. The acquisition has been included within the consolidated results of operations and financial condition from the date of the acquisition.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

3. Acquisitions (Continued)

The purchase price allocation was completed in the first quarter of 2015. The amounts below represent the final fair value of assets acquired.

	Amount	Weighted Average Life (Years)
Fair value of assets acquired:		
Cash and cash equivalents	$ (199)	
Healthcare accounts receivable	3,879	
Inventory	311	
Property and equipment	3,429	
Other assets	317	
Identifiable intangible assets:		
Customer relationships	6,500	13
Technology	1,600	5
Covenants not to compete	420	5
Tradename	700	Indefinite
Total identifiable intangible assets	9,220	
Total assets acquired	16,957	
Fair value of liabilities assumed:		
Accounts payable	4,427	
Accrued liabilities	2,932	
Other liabilities	3,027	
Long-term debt, capital leases, note payable and related interest	9,720	
Total liabilities assumed	20,106	
Total identifiable net assets	(3,149)	
Goodwill	9,589	
Net assets acquired	$ 6,440	

Goodwill recorded in connection with this acquisition is attributable to the assembled workforce and synergies expected to arise from cost savings opportunities. All of the recorded goodwill is included in the Healthcare segment.

The unaudited pro forma information below presents combined results of operations as if the acquisition had occurred at the beginning of the period presented instead of January 31, 2014. The pro forma information presented below does not include anticipated synergies or certain other expected

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

3. Acquisitions (Continued)

benefits of the acquisition and should not be used as a predictive measure of our future results of operations. Mednet contributed $23,355 in revenue for the year ended December 31, 2014.

Unaudited pro forma information	Year ended December 31, 2014
Revenue	$ 170,076
Net loss	(8,014)
Net loss per common share:	
Basic and diluted	$ (0.30)
Weighted average number of shares:	
Basic and diluted	26,444,626

4. Inventory

Inventory consists of the following:

	December 31,	
	2016	2015
Raw materials and supplies	$ 2,866	$ 2,115
Finished goods	2,310	263
Total inventory	$ 5,176	$ 2,378

Inventory, which includes purchased parts, materials, direct labor and applied manufacturing overhead, is stated at the lower of cost or net realizable value, with cost determined by use of the first-in, first-out method.

5. Property and Equipment

Property and equipment consists of the following:

	Estimated Useful Life (Years)	December 31,	
		2016	2015
Cardiac monitoring devices, device parts and components	3 - 5	$ 55,825	$ 52,087
Computers and purchased software	3 - 5	18,027	15,392
Equipment, tools and molds	3 - 5	6,666	5,858
Furniture and fixtures	7	1,467	1,863
Leasehold improvements	Life of lease	3,171	3,049
Capital leases	3 - 7	737	1,884
Total property and equipment, at cost		85,893	80,133
Less accumulated depreciation		(60,070)	(54,579)
Total property and equipment, net		$ 25,823	$ 25,554

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

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5. Property and Equipment (Continued)

Depreciation expense associated with property and equipment, inclusive of amortization of assets recorded under capital leases, was $10,547, $8,987 and $8,858, for the years ended December 31, 2016, 2015 and 2014, respectively.

6. Goodwill and Intangible Assets

Goodwill was recognized at the time of our acquisitions. The carrying amount of goodwill as of December 31, 2016 and 2015 was $41,068 and $29,831, respectively. The increase in goodwill during the year ended December 31, 2016 relates to our current year acquisitions.

The changes in the carrying amounts of goodwill by segment were as follows:

	Reporting Segment			
	Healthcare	Research	Technology	Total
Balance at December 31, 2014	$ 14,489	$ 11,950	$ 3,157	$ 29,596
Goodwill acquired during the year	235	—	—	235
Balance at December 31, 2015	$ 14,724	$ 11,950	$ 3,157	$ 29,831
Goodwill acquired during the year	—	4,693	6,544	11,237
Balance at December 31, 2016	$ 14,724	$ 16,643	$ 9,701	$ 41,068

At December 31, 2016, 2015 and 2014, we performed our required annual impairment test of goodwill and indefinite-lived intangible assets. Based on these impairment tests, we determined that there was no impairment.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

6. Goodwill and Intangible Assets (Continued)

The gross carrying amounts and accumulated amortization of our intangible assets as of December 31, 2016 and 2015 are as follows:

	Estimated Useful Life (Years)	December 31, 2016	December 31, 2015
Customer relationships	5 - 15	$ 16,700	$ 10,700
Technology including internally developed software	3 - 10	21,135	13,522
Backlog	1 - 4	6,860	3,760
Covenants not to compete	5 - 7	1,040	1,040
Total intangible assets, gross		45,735	29,022
Customer relationships		(3,809)	(2,520)
Technology including internally developed software		(6,588)	(5,422)
Backlog		(4,176)	(3,109)
Covenants not to compete		(690)	(490)
Total accumulated amortization		(15,263)	(11,541)
Indefinite-lived trade names		3,000	2,500
Total intangible assets, net		$ 33,472	$ 19,981

The estimated amortization expense for the next five years and thereafter is summarized as follows at December 31, 2016:

2017	$ 4,670
2018	4,888
2019	4,401
2020	3,850
2021	3,424
Thereafter	9,239
Total estimated amortization	$ 30,472

Amortization expense for the years ended December 31, 2016, 2015 and 2014 was $3,722, $3,501 and $3,692, respectively.

7. Equity Method Investment

In December 2015, we acquired an ownership interest in Well Bridge Health, Inc. ("WellBridge") through the conversion of an outstanding note receivable and the related accrued interest. The investment is accounted for under the equity method. In December 2015, the equity method basis difference of $891 was allocated to equity method goodwill. As of December 31, 2016, our investment

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

7. Equity Method Investment (Continued)

in WellBridge represented 30% of its outstanding stock. A summary of our investment in Wellbridge is as follows:

	Year Ended December 31, 2016
January 1, 2016 balance	$ 1,100
Capital contributions	312
Loss in equity method investment	(287)
December 31, 2016 balance	$ 1,125

8. Accrued Expenses

Accrued expenses consists of the following:

	December 31,	
	2016	2015
Accrued compensation	$ 7,831	$ 6,454
Accrued professional fees	2,841	1,858
Accrued taxes	250	234
Accrued interest	330	327
Other	2,446	2,357
Total	$ 13,698	$ 11,230

9. Credit Agreement

Credit Agreement

On December 30, 2014, we entered into a Credit Agreement with Healthcare Financial Solutions, LLC, ("HFS"), previously The General Electric Capital Corporation ("GE Capital"), as agent for the lenders ("Lenders"), and as a lender and swingline lender. Pursuant to the Credit Agreement, the Lenders agreed to make loans to us as follows: (i) Term Loans in an amount of $25,000 as of the closing date with an uncommitted ability to increase such Term Loans up to an amount not to exceed $10,000 and (ii) Revolving Loans up to $15,000. As of December 31, 2016, $3,000 was drawn on the Revolving Loans. The loan, inclusive of Term Loans and Revolving Loans, is recorded on our consolidated balance sheet in the amount of $25,161, which is net of a debt discount and deferred charges of $651.

The loans bear interest at an annual rate of LIBOR plus 4.0%, subject to a LIBOR floor of 1.0%. The outstanding principal of the Term Loans will be paid as follows:

- beginning April 1, 2015, the principal amount of the Term Loans will be repaid, on a quarterly basis, in installments of $312, plus accrued interest;

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

9. Credit Agreement (Continued)

- beginning January 1, 2018, the principal amount of the Term Loans will be repaid, on a quarterly basis, in installments of $625, plus accrued interest; and

- beginning October 1, 2019, the remaining $16,563, along with any outstanding Revolving Loans, will be paid in full on or before December 30, 2019, or such earlier date upon an acceleration of the Term Loan by the Lenders upon an event of default or termination by us.

The loan is secured by substantially all of our assets and by a pledge of the capital stock of our U.S. based subsidiaries as well as a pledge of 65% of the capital stock of our foreign subsidiaries.

Covenants

The Credit Agreement contains affirmative and financial covenants regarding the operations of our business and certain negative covenants that, among other things, limit our ability to incur additional indebtedness, grant certain liens, make certain investments, merge or consolidate, make certain restricted payments and engage in certain asset dispositions, including a sale of all, or substantially all, of our property. As of December 31, 2016, we were in compliance with our covenants.

The Credit Agreement also contains excess payment terms based on the Company's financial position. No excess payments will become due in 2017 as a result of our financial position as of December 31, 2016.

Debt Extinguishment

In December 2014, we used the proceeds of the loan to repay in full the $17,411 outstanding balances of the existing debt. In connection with this repayment, we incurred a debt extinguishment loss of $372, included in interest and other (loss), net in our consolidated statements of operations and comprehensive income (loss). This loss includes a pre-payment penalty paid as well as the write-off of the unamortized deferred financing fees related to the existing debt.

10. Commitments and Contingencies

Leases

We lease our principal administrative and service facilities as well as office equipment under non-cancelable operating leases expiring at various dates through 2026. The terms of the leases are renewable at the end of the lease term. Payments made under operating leases are charged to operations on a straight-line basis over the period of the lease. Differences between straight-line expense and cash payments are recorded as deferred rent. Rent expense was $4,217, $3,777 and $3,721 for the years ended December 31, 2016, 2015 and 2014, respectively.

We have entered into and acquired capital leases with various expiration dates through 2020 which were used to finance equipment, furniture and monitoring devices.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

10. Commitments and Contingencies (Continued)

Future minimum lease payments under non-cancelable operating and capital leases are summarized as follows at December 31, 2016:

	Operating Leases	Capital Leases
2017	$ 3,992	$ 162
2018	3,720	66
2019	2,660	35
2020	2,335	25
2021	1,140	—
Thereafter	3,174	—
Total minimum lease payments	$ 17,021	$ 288

11. Other Charges

We account for expenses associated with exit or disposal activities in accordance with ASC 420, *Exit or Disposal Cost Obligations,* and record the expenses in other charges in our consolidated statements of operations and comprehensive income (loss), and record the related accrual in the accrued expenses line of our consolidated balance sheets.

We account for expenses associated with our acquisitions and certain litigation as other charges as incurred. These expenses were primarily a result of legal fees related to patent litigation in which we are the plaintiff and activities surrounding our acquisitions. Other charges are costs that are not considered necessary to the ongoing business operations. A summary of these expenses is as follows:

	Year ended December 31,		
	2016	2015	2014
Legal fees	$ 7,177	$ 5,764	$ 4,691
Professional fees	719	50	669
Severance and employee related costs	645	249	1,738
Other costs	98	—	—
Total	$ 8,639	$ 6,063	$ 7,098

12. Shareholders' Equity

Common Stock

As of December 31, 2016 and 2015, we were authorized to issue 200,000,000 shares of common stock. As of December 31, 2016 and 2015, we had 28,261,503 and 27,277,939 shares outstanding, respectively.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

12. Shareholders' Equity (Continued)

Preferred Stock

We maintain an unregistered blank check preferred stock class. As of December 31, 2016 and 2015, there were no shares authorized and outstanding.

Stock-Based Compensation

2008 Equity Incentive Plan

Our 2008 Equity Incentive Plan (the "2008 Plan") became effective on March 18, 2008. The 2008 Plan permits our Board of Directors to grant incentive stock options to employees and non-qualified stock options, restricted stock, performance stock and other stock-based incentive awards to officers, directors, employees and consultants. On that date, we began granting options to purchase shares of common stock to employees, executives, directors and consultants. Under the terms of the 2008 Plan, all available shares in the 2003 Equity Incentive Plan ("the 2003 Plan") share reserve automatically rolled into the 2008 Plan. Any cancellations or forfeitures of granted options under the 2003 Plan also automatically roll into the 2008 Plan. Beginning on January 1, 2009, and each year thereafter, the number of options available to be granted under the plan will increase by the lesser of 4% of the total number of common shares outstanding or 1,500,000 shares.

Options granted under the 2008 Plan have exercise prices not less than the fair market value at the date of grant and have an expiration date of no greater than 10 years from the date of grant. There is no predetermined vesting schedule provided in the 2008 Plan, and vesting is determined by the Board of Directors on the date of grant.

The 2008 Plan had 2,637,019 shares available for grant as of December 31, 2016.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

12. Shareholders' Equity (Continued)

Stock option activity is summarized for the years ended December 31, 2016, 2015 and 2014 as follows:

	Number of Shares	Weighted Average Exercise Price
Options outstanding as of December 31, 2013	3,135,934	$ 5.83
Granted	582,012	8.45
Cancelled	(310,303)	6.55
Exercised	(156,791)	3.37
Options outstanding as of December 31, 2014	3,250,852	$ 6.40
Granted	427,786	10.39
Cancelled	(181,777)	11.32
Exercised	(76,342)	3.82
Options outstanding as of December 31, 2015	3,420,519	$ 6.69
Granted	519,770	13.44
Cancelled	(49,709)	9.97
Exercised	(322,146)	4.56
Options outstanding as of December 31, 2016	3,568,434	$ 7.82

A summary of total outstanding stock options as of December 31, 2016 is as follows:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life (in Years)	Weighted Average Exercise Price
$1.93 - $3.17	1,076,215	5.57	$ 2.67	1,056,215	5.56	$ 2.68
$3.18 - $6.43	379,454	4.01	4.58	375,704	3.99	4.57
$6.44 - $9.87	1,242,539	5.88	7.92	876,341	4.84	7.44
$9.88 - $15.74	399,002	8.20	10.55	174,103	8.10	10.32
$15.75 - $30.00	456,224	5.91	19.25	228,724	2.16	20.47
$30.01 - $30.98	15,000	1.63	30.98	15,000	1.63	30.98
$1.93 - $30.98	3,568,434	5.83	$ 7.82	2,726,087	4.97	$ 6.61

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

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12. Shareholders' Equity (Continued)

The table below summarizes certain additional information with respect to our options:

(In thousands)	2016	2015	2014
Aggregate intrinsic value of options outstanding at year-end	$ 52,671	$ 19,436	$ 15,258
Aggregate intrinsic value of options exercisable at year-end	43,750	16,124	9,918
Aggregate intrinsic value of options exercised during the year	3,546	662	840
Weighted average grant date fair value per option	9.47	6.58	5.00

Total cash received from the exercise of stock options for the year ended December 31, 2016, 2015 and 2014 was $1,470, $291 and $529, respectively.

RSU activity is summarized for the years ended December 31, 2016, 2015 and 2014 as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
RSUs outstanding as of December 31, 2013	857,656	$ 3.15
Granted	292,079	8.48
Forfeited	(89,664)	3.30
Vested	(195,437)	6.27
RSUs outstanding as of December 31, 2014	864,634	$ 4.23
Granted	328,060	9.70
Forfeited	(50,642)	6.90
Vested	(451,116)	3.89
RSUs outstanding as of December 31, 2015	690,936	$ 6.85
Granted	225,198	11.06
Forfeited	(11,905)	9.50
Vested	(311,880)	4.08
RSUs outstanding as of December 31, 2016	592,349	$ 9.86

In addition, a summary of total outstanding RSUs as of December 31, 2016 is as follows:

Range of Grant Date Fair Value	RSUs Outstanding
$7.44 - $9.57	326,207
$9.58 - $15.74	266,142
$7.44 - $15.74	592,349

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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12. Shareholders' Equity (Continued)

Performance stock unit ("PSU") activity is summarized for the years ended December 31, 2016, 2015 and 2014 as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
PSUs outstanding as of December 31, 2013	—	—
Granted	284,423	$ 8.68
Forfeited	—	—
Vested	—	—
PSUs outstanding as of December 31, 2014	284,423	$ 8.68
Granted	—	—
Forfeited	(18,433)	8.68
Vested	—	—
PSUs outstanding as of December 31, 2015	265,990	$ 8.68
Granted	—	—
Forfeited	—	—
Vested	(132,998)	8.68
PSUs outstanding as of December 31, 2016	132,992	$ 8.68

Stock-based compensation expense is only recognized for outstanding PSUs where the performance conditions are deemed probable for achievement. For PSUs deemed probable for achievement, stock-based compensation expense is recognized ratably over the expected vesting period. For the years ended December 31, 2016, 2015 and 2014, we incurred PSU expenses of $444, $711 and $0, respectively. We do not expect to recognize any stock-based compensation expense over the year ended December 31, 2017 related to outstanding PSUs.

Performance stock options ("PSOs") are valued and stock-based compensation expense is only recognized once the performance conditions of the outstanding PSOs have been met. For the years ended December 31, 2016, 2015 and 2014, we incurred PSO expenses of $1,297, $0 and $0, respectively. During 2016, 100,000 PSOs vested which have an exercise price of $18.33, a vest date fair value of $12.97 and an expected and contractual term of 10 years.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

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12. Shareholders' Equity (Continued)

PSO activity is summarized for the years ended December 31, 2016 and 2015 as follows:

	Number of Shares
PSOs outstanding as of December 31, 2014	—
Granted	200,000
Cancelled	—
PSOs outstanding as of December 31, 2015	200,000
Granted	—
Cancelled	—
PSOs outstanding as of December 31, 2016	200,000

We estimate the fair value of our share-based awards using the Black-Scholes option valuation model. The Black-Scholes option valuation model requires the use of certain subjective assumptions. The most significant of these assumptions are the estimates of the expected volatility of the market price of our stock and the expected term of the award. We base our estimates of expected volatility on the historical average of our stock price. The expected term represents the period of time that share-based awards granted are expected to be outstanding. Other assumptions used in the Black-Scholes option valuation model include the risk-free interest rate and expected dividend yield. The risk-free interest rate for periods pertaining to the contractual life of each option is based on the U.S. Treasury yield of a similar duration in effect at the time of grant. We have never paid, and do not expect to pay, dividends in the foreseeable future.

The fair value of our share-based awards was estimated at the date of grant using the following weighted average assumptions:

	Year Ended December 31,		
	2016	2015	2014
Expected volatility	64.4%	66.5%	62.8%
Expected term (in years)	7.96	6.72	6.49
Weighted average risk-free interest rate	1.61%	1.68%	1.85%
Expected dividends	0.0%	0.0%	0.0%

Based on our historical experience of options and RSUs that cancel before becoming fully vested, we have assumed an annualized forfeiture rate of 8.57% for options, 6.43% for RSUs and 0.00% for PSOs and PSUs. While we early adopted ASU 2016-09 in the year ended December 31, 2016, we have elected to continue to estimate forfeitures under the true-up provision of ASC 718. We will record additional expense if the actual forfeiture rate is lower than estimated, and will record a recovery of prior expense if the actual forfeiture rate is higher than estimated.

The total compensation cost of options granted but not yet vested at December 31, 2016, 2015 and 2014 was $5,858, $3,608 and $2,744, respectively, which is expected to be recognized over a weighted

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

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12. Shareholders' Equity (Continued)

average period of 2.91 years, 2.66 years and 2.68 years, respectively. Unvested stock options as of December 31, 2016 and 2015 were 842,347 and 837,915, respectively. As of December 31, 2016 and 2015, the weighted average grant date fair values per unvested option were $7.58 and $4.82, respectively.

The stock-based compensation expense related to unvested RSUs not yet recognized at December 31, 2016, 2015 and 2014 was approximately $3,036, $2,869 and $1,979, respectively, which is expected to be recognized over a weighted average period of 1.43 years, 1.69 years and 1.50 years, respectively. Unvested RSUs as of December 31, 2016 and 2015 were 592,349 and 690,936, respectively. As of December 31, 2016 and 2015, the weighted average grant date fair values per unvested RSU were $9.86 and $6.85, respectively.

Employee Stock Purchase Plan

In July 2008, we made available an Employee Stock Purchase Plan ("ESPP") in which substantially all of our full-time employees became eligible to participate effective March 18, 2008. Under the ESPP, employees may contribute through payroll deductions up to 15% of their compensation toward the purchase of our common stock, or $21, whichever is lower. The price per share is equal to the lower of 85% of the fair market price on the first day of the offering period, or 85% of the fair market price on the day of purchase. Proceeds received from the issuance of shares are credited to shareholders' equity in the period that the shares are issued. In 2016, 150,888 shares were purchased in accordance with the ESPP. Net proceeds from the issuance of shares of common stock under the ESPP for the year ended December 31, 2016 were $1,049. In January 2016, the number of shares available for grant was increased by 272,779, per the ESPP documents. At December 31, 2016, 625,176 shares remain available for purchase under the ESPP. For the years ended December 31, 2016, 2015 and 2014, we incurred ESPP expenses of $520, $420 and $408, respectively.

13. Employee Benefit Plan

We sponsor a 401(k) Retirement Savings Plan (the "Plan") for all eligible employees who meet certain requirements. Participants may contribute, on a pre-tax basis, up to the maximum allowable amount pursuant to Section 401(k) of the Internal Revenue Code ("IRC"). The plan also includes a Roth feature, allowing after-tax contributions, up to the maximum allowable amount pursuant to Section 401(k) of the IRC. We are not required to contribute to the Plan. In January 2014, we adopted an amendment to the Plan that allowed for an employer matching contribution of 100% of the first 3% of the employees' salary, and 50% of the next 2% of the employees' salary. For the years ended December 31, 2016, 2015 and 2014, we contributed $2,115, $1,786 and $1,483, respectively. Employer contributions vest immediately.

14. Income Taxes

We have deferred income tax assets totaling $47,636 at December 31, 2016, consisting primarily of federal and state net operating loss and credit carryforwards. Our benefit from income taxes for 2016

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

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14. Income Taxes (Continued)

of $37,667 primarily relates to the reduction of our valuation allowance, partially offset by adjustments to deferred taxes and state taxes levied on current year taxable income.

Deferred taxes result from temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for income tax purposes. As of December 31, 2016, our deferred income tax assets were primarily the result of federal and state net operating losses, stock-based compensation and allowance for doubtful accounts. A valuation allowance of $95 and $49,759 was recorded against our deferred income tax asset balance as of December 31, 2016 and 2015, respectively. For the year ended December 31, 2016, we recorded a release of federal and state valuation allowance of $51,630 on the basis of management's reassessment of the amount of deferred income tax assets that are more-likely-than-not to be realized.

As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred income tax assets. As of December 31, 2016, management determined that sufficient positive evidence exists to conclude that it is more-likely-than-not that the net deferred income tax assets of $36,636 are realizable, and therefore, reduced the valuation allowance accordingly.

The significant components of our deferred taxes are as follows:

	December 31,	
	2016	2015
Deferred tax assets:		
Net operating loss carryforwards	$ 33,404	$ 36,149
Research and development and AMT credit carryforwards	912	5,115
Stock option grants	5,602	7,483
Allowance for doubtful accounts	4,965	4,473
Deferred revenue	885	964
Other, net	1,868	1,576
Total deferred tax assets	47,636	55,760
Less valuation allowance	(95)	(49,759)
Net deferred tax assets	47,541	6,001
Deferred tax liabilities:		
Property, plant and equipment	(3,604)	(3,027)
Intangible assets	(7,124)	(4,031)
Prepaid insurance	(177)	(176)
Total deferred tax liabilities	(10,905)	(7,234)
Net deferred tax asset (liability)	$ 36,636	$ (1,233)

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

14. Income Taxes (Continued)

Reconciliations between expected income taxes computed at the federal rate of 35% for each of the years ended December 31, 2016, 2015 and 2014, and the (benefit from) provision for income taxes is as follows:

	Years ended December 31,		
	2016	2015	2014
Income tax provision (benefit) at statutory rate	$ 5,520	$ 2,763	$ (4,237)
State income tax, net of federal benefit	259	(239)	4
Research and development	—	634	(626)
Deferred tax asset adjustments	4,336	—	—
Unrecognized tax benefit	3,559	—	—
Other	289	549	411
(Decrease) increase in valuation allowance	(51,630)	(3,239)	2,135
(Benefit from) provision for income taxes	$ (37,667)	$ 468	$ (2,313)

At December 31, 2016, we had federal net operating loss carryforwards of approximately $86,868 to offset future federal taxable income expiring in various years starting in 2024 through 2036. At December 31, 2016, we had state net operating loss carryforwards of $43,203, which expire in various years starting in 2017 through 2036.

The timing and manner in which we can utilize our net operating loss carryforwards and future income tax deductions in any year may be limited by provisions of the IRC. Section 382 of the IRC imposes limitations on a corporation's ability to utilize net operating losses if it experiences an "ownership change." Section 383 of the IRC imposes similar limitations on other tax attributes such as research and development credits. Currently, a portion of our loss carryforwards is limited under Section 382 and therefore, is not included in the total net operating losses disclosed above.

The components of our (benefit from) provision for income taxes are summarized as follows:

	Year Ended December 31,	
	2016	2015
Current:		
Federal	$ 321	$ 173
State	153	50
Total provision for income taxes	474	223
Deferred:		
Federal	(32,484)	220
State	(5,657)	25
Total deferred (benefit from) provision for income taxes	(38,141)	245
Total (benefit from) provision for income taxes	$ (37,667)	$ 468

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(In thousands, except share and per share amounts)

14. Income Taxes (Continued)

The U.S. Internal Revenue Service concluded its examination of our U.S. federal tax returns for all years through 2011. Because of net operating losses, our U.S. federal tax returns statutes for those years will remain subject to examination until the losses are utilized. Additionally, state tax return statutes generally remain open due to operating losses.

During 2016, we identified an uncertain tax position related to our research and development credits. As of December 31, 2015 and 2014, we have not identified any uncertain tax positions and therefore, we have no tax reserve recorded as of December 31, 2015 and 2014. The following summarizes the changes in our uncertain tax positions during the year ended December 31, 2016:

	Total Uncertain Tax Positions
Balance at December 31, 2015	—
Additions to uncertain tax positions related to prior years	$ 3,899
Balance at December 31, 2016	$ 3,899

The balance of unrecognized tax benefits, if recognized, would affect the effective tax rate.

We recognize interest and penalties related to unrecognized tax benefits on the income tax expense line in the accompanying consolidated statements of operations and comprehensive income (loss). As of December 31, 2016, we have not recorded any interest and penalties on our uncertain tax positions.

It is reasonably possible that these unrecognized tax benefits could be resolved within the next twelve months that may result in a decrease in our effective tax rate.

15. Segment Information

We operate under three reportable segments: Healthcare, Research and Technology. The Healthcare segment is focused on the monitoring of cardiac arrhythmias or heart rhythm disorders with our comprehensive suite of cardiac monitoring solutions in a health care setting. The Research segment is engaged in central core laboratory services providing cardiac monitoring, imaging services, scientific consulting and data management services for drug and medical device trials. The Technology segment focuses on the development, manufacturing, testing and marketing of medical devices to medical companies, clinics and hospitals. Intercompany revenue relating to the manufacturing of devices by the Technology segment for the other segments is included on the intersegment revenue line.

Expenses that can be specifically identified with a segment have been included as deductions in determining pre-tax segment income. Any remaining expenses including research and development costs incurred by the Technology segment for the benefit of the other segments as well as the elimination of costs associated with intercompany revenue are included in Corporate and Other. Also

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

15. Segment Information (Continued)

included in Corporate and Other is our net interest expense and other financing expenses. We do not allocate assets to the individual segments.

	Healthcare	Research	Technology	Corporate and Other	Consolidated
2016					
Revenue	$ 165,664	$ 32,565	$ 10,103	—	$ 208,332
Intersegment revenue	—	—	11,456	$ (11,456)	—
Income (loss) before income taxes	60,362	2,229	3,862	(50,683)	15,770
Depreciation and amortization	10,216	3,837	517	(301)	14,269
Capital expenditures	8,885	1,941	73	—	10,899

	Healthcare	Research	Technology	Corporate and Other	Consolidated
2015					
Revenue	$ 145,963	$ 21,853	$ 10,697	—	$ 178,513
Intersegment revenue	7	—	10,224	$ (10,231)	—
Income (loss) before income taxes	44,559	540	4,390	(41,593)	7,896
Depreciation and amortization	7,790	3,676	371	651	12,488
Capital expenditures	9,155	4,373	72	—	13,600

	Healthcare	Research	Technology	Corporate and Other	Consolidated
2014					
Revenue	$ 133,178	$ 19,744	$ 13,656	—	$ 166,578
Intersegment revenue	—	—	7,789	$ (7,789)	—
Income (loss) before income taxes	27,792	(701)	6,681	(45,878)	(12,106)
Depreciation and amortization	8,157	3,710	502	181	12,550
Capital expenditures	11,488	1,077	216	—	12,781

16. Legal Proceedings

The final outcome of any current or future litigation or governmental or internal investigations cannot be accurately predicted, nor can we predict any resulting penalties, fines or other sanctions that may be imposed at the discretion of federal or state regulatory authorities. We record accruals for such contingencies to the extent that we conclude it is probable that a liability has been incurred and the amount of the loss can be estimated.

CardioNet v. ScottCare Litigation

In May 2012, CardioNet, Inc. ("CardioNet") filed suit against The ScottCare Corporation and Ambucor Health Solutions, Inc. ("ScottCare") in the U.S. District Court for the Eastern District of Pennsylvania (Civil Action No. 2:12-CV-2516- PBT) for patent infringement under the same five CardioNet patents that were at issue in the Mednet litigation, related to the making, use, sale and

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

16. Legal Proceedings (Continued)

offering for sale of the ScottCare TeleSentry Mobile Cardiac Telemetry device and monitoring services. CardioNet is seeking an injunction against each defendant, as well as monetary damages. ScottCare has asserted counterclaims alleging the patents in the suit are invalid and not infringed. The trial court heard argument on motions for summary judgment and motions to limit expert testimony in June 2015, but has not yet issued rulings on these motions. ScottCare has dropped all invalidity challenges with respect to one of the patents in the suit. The parties are awaiting a trial date. Consistent with the accounting for contingent liabilities, no accrual has been recorded in the consolidated financial statements. We are vigorously pursuing our claims and defending against the counterclaims.

CardioNet v. InfoBionic

CardioNet, LLC and Braemar Manufacturing, LLC (collectively, "CardioNet") filed a patent infringement lawsuit against InfoBionic, Inc. ("InfoBionic") in May 2015, in the U.S. District Court for the District of Massachusetts ("District Court"), and filed an amended complaint in March 2016. CardioNet asserts that InfoBionic's MoMe™ Kardia System infringes CardioNet's U.S. Patent Nos. 6,225,901, 6,940,403, 7,212,850, 7,907,996, RE43,767 and 7,099,715 relating to collection and reporting of data. CardioNet seeks an injunction and enhanced damages for willful infringement because InfoBionic had prior knowledge of some or all of the asserted patents. CardioNet is also asserting claims for unfair competition and misappropriation of trade secrets due to its discovery that InfoBionic is in unauthorized possession of confidential and proprietary CardioNet materials, including source code. The District Court held a claim construction hearing in November 2016. CardioNet is seeking leave to add an infringement claim for CardioNet's U.S. Patent No. 7,941,207 to the complaint. Dates for expert discovery and trial have not been set.

In response to CardioNet's infringement assertion, in August 2015, InfoBionic filed petitions at the U.S. Patent and Trademark Office ("USPTO") for Inter Partes review ("IPR") of the '901, '403, '850, and '996 patents. In February 2016, the USPTO denied institution of the August 2015 petitions for the '850 and '996 patents. In June 2016, InfoBionic filed a second set of petitions directed to the '850 and '996 patents. The USPTO denied institution of that second set of petitions in December 2016. In December 2016, the USPTO also upheld the validity of claim 10 of the '403 patent, but found that the other challenged claims of the '901 and '403 patents are unpatentable. The '901 and '403 patents were set to expire in March 2017. InfoBionic is estopped from presenting any invalidity defense at the court that it raised or could have raised in the IPR for claim 10 of the '403 patent. In late January 2017, InfoBionic filed an IPR petition challenging the '767 patent. CardioNet's preliminary response is due in late April or early May 2017, and a decision regarding institution will issue in late July or early August 2017. If the Patent Trial and Appeal Board denies institution, then the proceeding is over. If the Appeal Board decides to institute, a final written decision would be expected in late summer of 2018.

BIOTELEMETRY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Years Ended December 31, 2016, 2015 and 2014

(In thousands, except share and per share amounts)

17. Quarterly Financial Data (Unaudited)

The following tables summarize the unaudited quarterly financial data for the last two fiscal years. Net Income, basic net income per share and diluted net income per share for the first three quarters of 2016 have been recast in accordance with the adoption of ASU 2016-09.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands, except per share amount)			
2016				
Total revenue	$ 48,640	$ 52,680	$ 53,055	$ 53,957
Gross profit	30,627	32,921	32,866	33,036
Other charges	1,788	1,659	2,397	2,795
Income from operations	4,534	5,121	4,966	3,391
Net income	4,097	4,697	4,195	40,448
Basic net income per share	$ 0.15	$ 0.17	$ 0.15	$ 1.43
Diluted net income per share	$ 0.14	$ 0.15	$ 0.14	$ 1.30
2015				
Total revenue	$ 43,435	$ 44,812	$ 43,492	$ 46,774
Gross profit	25,223	26,733	26,337	28,264
Other charges	1,860	1,210	1,392	1,601
Income from operations	469	2,585	3,006	3,458
Net (loss) income	(69)	2,171	2,478	2,848
Basic net (loss) income per share	$ (0.00)	$ 0.08	$ 0.09	$ 0.10
Diluted net (loss) income per share	$ (0.00)	$ 0.08	$ 0.08	$ 0.10

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Prior to the filing of this Annual Report on Form 10-K, an evaluation was performed under the supervision of and with the participation of our management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of our disclosure controls and procedures. Based on the evaluation, the CEO and CFO have concluded that, as of December 31, 2016, our disclosure controls and procedures are effective to ensure that information required to be disclosed in reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to our management, as appropriate, to allow timely decisions regarding required disclosure. It should be noted that the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) or 240.15d-15(f) under the Exchange Act) during the fourth fiscal quarter ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The effectiveness of the Company's internal control over financial reporting did not include the internal controls of BioTelemetry Technology ApS, VirtualScopics, Inc., Telcare Medical Supply, Inc., or Telcare Acquisition, LLC, which were included in the Company's consolidated financial statements for

the year ended December 31, 2016, due to the timing of the acquisitions. These entities comprise 20% and 24% of total and net assets, respectively, as of December 31, 2016 and 7% of revenues for the year then ended.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control—Integrated Framework (2013). Based on management's assessment and those criteria, management has concluded that our internal control over financial reporting was effective as of December 31, 2016.

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report included in this Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
BioTelemetry, Inc.

We have audited BioTelemetry, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control —Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the "COSO criteria"). BioTelemetry, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of BioTelemetry Technology ApS, VirtualScopics, Inc., Telcare Medical Supply, Inc. or Telcare Acquisition, LLC (collectively, "the Acquired Companies") which are included in the 2016 consolidated financial statements of BioTelemetry, Inc. and constituted 20% and 24% of total and net assets, respectively, as of December 31, 2016 and 7% of revenues for the year then ended. Our audit of internal control over financial reporting of BioTelemetry, Inc. also did not include an evaluation of the internal control over financial reporting of the Acquired Companies.

In our opinion, BioTelemetry, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of BioTelemetry, Inc. as of

December 31, 2016 and 2015 and the related consolidated statements of operations and comprehensive income (loss), cash flows and shareholders' equity for each of the three years in the period ended December 31, 2016 of BioTelemetry, Inc. and our report dated February 22, 2017 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania
February 22, 2017

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Information with respect to this Item is incorporated by reference from our definitive proxy statement in connection with the 2017 Annual Meeting of Stockholders, or the Proxy Statement, unless the Proxy Statement is not filed by April 30, 2017, in which case we will amend this Form 10-K to provide the omitted information in accordance with the requirements of Instruction G to Form 10-K.

BioTelemetry emphasizes the importance of professional business conduct and ethics through its corporate governance initiatives. Our Board of Directors has adopted a code of business conduct and ethics that applies to all employees, directors and officers, including our principal executive officer and principal financial officer. Our corporate governance information and materials, including our Code of Business Conduct and Ethics, are posted under "Corporate Governance" in the Investors section of our website at *www.gobio.com*. Our Board of Directors regularly reviews corporate governance developments and modifies these materials and practices as warranted. To the extent we make amendments to or grant waivers from our Code of Business Conduct and Ethics in the future, we intend to disclose the amendments and waivers on our website.

Item 11. Executive Compensation

Information required by this Item is incorporated by reference from the Proxy Statement unless the Proxy Statement is not filed on or before April 30, 2017, in which case we will amend this Form 10-K to provide the omitted information in accordance with the requirements of Instruction G to Form 10-K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this Item is incorporated by reference from the Proxy Statement unless the Proxy Statement is not filed on or before April 30, 2017, in which case we will amend this Form 10-K to provide the omitted information in accordance with the requirements of Instruction G to Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information with respect to this Item is incorporated by reference from the Proxy Statement unless the Proxy Statement is not filed on or before April 30, 2017, in which case we will amend this Form 10-K to provide the omitted information in accordance with the requirements of Instruction G to Form 10-K.

Item 14. Principal Accountant Fees and Services

Information required by this Item is incorporated by reference from the Proxy Statement unless the Proxy Statement is not filed on or before April 30, 2017, in which case we will amend this Form 10-K to provide the omitted information in accordance with the requirements of Instruction G to Form 10-K.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following financial statements, schedules and exhibits are filed as part of this report:

1. *Financial Statements*—The Financial Statements required by this item are listed on the Index to Financial Statements in Part II, Item 8 of this report.

2. *Financial Statement Schedules*

   - Schedule II—Valuation and Qualifying Accounts and Reserves; and
   - Other financial statement schedules are not included because they are not required or the information is otherwise shown in the financial statements or notes thereto.

3. *Exhibits*—The exhibits listed on the accompanying Exhibit Index are filed as part of, or are incorporated by reference into, this report.

(b) See Item 15(a)(3) above.

(c) See Item 15(a)(2) above.

SCHEDULE II

	Beginning Balance	Additions Charged to Expense	Deductions From Reserve	Ending Balance
Allowance for Doubtful Accounts				
Year ended December 31, 2016	$ 11,601	$ 9,931	$ (8,669)	$ 12,863
Year ended December 31, 2015	$ 10,662	$ 8,047	$ (7,108)	$ 11,601
Year ended December 31, 2014	$ 7,640	$ 9,347	$ (6,325)	$ 10,662

EXHIBIT INDEX

Exhibit Number	Description
2.1	Stock Purchase Agreement by and among CardioNet, LLC, Mednet Healthcare Technologies, Inc., Heartcare Corporation of America, Inc., Universal Medical, Inc., Universal Medical Laboratory, Inc. and Frank Movizzo, dated as of January 31, 2014 (Incorporated by reference to Exhibit 2.1 to the Registrant's Form 8-K filed, February 3, 2014).
2.2	Agreement and Plan of Reorganization, dated as of April 22, 2013, by and among CardioNet, Inc., the Registrant and BioTelemetry Merger Sub, Inc. (incorporated by reference to the Registrant's registration statement on Form S-4 and amendments thereto (File No. 333-188058)).
2.3*	Share and Asset Purchase Agreement, dated December 1, 2016, by and among Telcare Acquisition, LLC, BioTelemetry Care Management, LLC, BioTelemetry, Inc. and Telcare, Inc.
3.1	Certificate of Incorporation of BioTelemetry, Inc. (incorporated by reference to the Registrant's registration statement on Form S-4 and amendments thereto (File No. 333-188058)).
3.2	Bylaws of BioTelemetry, Inc. (incorporated by reference to the Registrant's registration statement on Form S-4 and amendments thereto (File No. 333-188058))
10.1	BioTelemetry, Inc. Form of Indemnity Agreement (incorporated by reference to Exhibit 10.1 to BioTelemetry, Inc.'s registration statement on Form S-1 and amendments thereto (File No. 333-145547)).
10.2(1)	BioTelemetry, Inc. 2008 Equity Incentive Plan and Form of Stock Option Agreement thereunder (incorporated by reference to Exhibit 10.2(1) to BioTelemetry, Inc.'s registration statement on Form S-4 and amendments thereto (File No. 333-188058)).
10.3(1)	BioTelemetry, Inc. 2008 Non-Employee Directors' Stock Option Plan and Form of Stock Option Agreement thereunder (incorporated by reference to Exhibit 10.4 to CardioNet, Inc.'s registration statement on Form S-1 and amendments thereto (File No. 333-145547)).
10.4(1)	BioTelemetry, Inc. 2008 Employee Stock Purchase Plan and Form of Offering Document thereunder (incorporated by reference to Exhibit 10.5 to CardioNet, Inc.'s registration statement on Form S-1 and amendments thereto (File No. 333-145547)).
10.5(1)	CardioNet, Inc. Long Term Incentive Plan (incorporated by reference to Exhibit 10.2 to CardioNet, Inc.'s Current Report on Form 8-K filed October 28, 2008 (File No. 001-33993)).
10.6(1)	CardioNet, Inc. Compensation Program for Non-Employee Directors (incorporated by reference to Exhibit 99.5 to the Registrant's Current Report on Form 8-K filed January 28, 2009 (File No. 001- 33993)).
10.7(1)	Employment Agreement, dated as of June 15, 2010, between Joseph H. Capper and CardioNet, Inc. (incorporated by reference to Exhibit 99.2 to CardioNet, Inc.'s Current Report on Form 8-K filed June 18, 2010 (File No. 001-33993)).

Exhibit Number	Description
10.8(1)	Employment Agreement, dated as of January 28, 2010, between CardioNet, Inc. and Heather Getz (incorporated by reference to Exhibit 10.36 to CardioNet, Inc.'s Annual Report on Form 10-K filed February 23, 2010 (File No. 001-33993)).
10.9(1)	Employment Agreement, dated as of December 7, 2010, between CardioNet, Inc. and Daniel Wisniewski (incorporated by reference to Exhibit 10.38 to CardioNet, Inc.'s Annual Report on Form 10-K, filed February 25, 2010(File No. 001-33993)).
10.10(1)	Employment Agreement dated as of February 7, 2011, between CardioNet, Inc. and Peter Ferola (incorporated by reference to Exhibit 10.1 to CardioNet, Inc.'s Quarterly Report on Form 10-Q dated May 6, 2011(File No. 001-33993)).
10.11(1)	Employment Agreement dated as of July 30, 2010, between CardioNet, Inc. and Fred Anthony Broadway III (incorporated by reference to Exhibit 10.26 to CardioNet, Inc.'s Annual Report on Form 10-K filed February 22, 2013(File No. 001-33993)).
10.12(1)*	Third Amendment To Credit Agreement dated December 1, 2016, issued in favor of Healthcare Financial Solutions, LLC.
10.13(1)	Asset Purchase Agreement by and between CardioNet, LLC and Biomedical Systems Corporation dated as of March 19, 2014 (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed March 20, 2014).
23	Consent of Ernst & Young LLP.
31.1*	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities and Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities and Exchange Act of 1934, as amended.
32*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

† Confidential treatment has been granted with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

(1) Indicates a management plan or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 22, 2017

BioTelemetry, Inc.

By: /s/ JOSEPH H. CAPPER

Joseph H. Capper
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JOSEPH H. CAPPER Joseph H. Capper	President and Chief Executive Officer (Principal Executive Officer)	February 22, 2017
/s/ HEATHER C. GETZ Heather C. Getz, CPA	Chief Financial Officer (Principal Financial and Accounting Officer)	February 22, 2017
/s/ KIRK E. GORMAN Kirk E. Gorman	Chairman and Director	February 22, 2017
/s/ ANTHONY J. CONTI Anthony J. Conti	Director	February 22, 2017
/s/ JOSEPH A. FRICK Joseph A. Frick	Director	February 22, 2017
/s/ COLIN HILL Colin Hill	Director	February 22, 2017
/s/ REBECCA RIMEL Rebecca Rimel	Director	February 22, 2017
/s/ ROBERT J. RUBIN Robert J. Rubin, M.D.	Director	February 22, 2017

Exhibit 2.3

EXECUTION COPY

SHARE AND ASSET PURCHASE AGREEMENT

among

TELCARE ACQUISITION, LLC,

BIOTELEMETRY CARE MANAGEMENT, LLC,

BIOTELEMETRY, INC.

and

TELCARE, INC.

dated as of

December 1, 2016

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SHARE AND ASSET PURCHASE AGREEMENT

This Share and Asset Purchase Agreement (this "**Agreement**"), dated as of December 1, 2016, is entered into by and among Telcare Acquisition, LLC, a Delaware limited liability company ("**Assets Buyer**"), BioTelemetry Care Management, LLC, a Delaware limited liability company ("**Shares Buyer**" and together with Assets Buyer, the "**Buyers**"), BioTelemetry, Inc., a Delaware corporation ("**Parent**") (solely for purposes of Section 8.11) and Telcare, Inc., a Delaware corporation ("**Seller**").

RECITALS:

WHEREAS, Seller is the owner of 100% of the issued and outstanding shares of the capital stock of Telcare Medical Supply, Inc. ("**TMS Sub**" and together with Seller, the "**Seller Parties**");

WHEREAS, the Seller Parties are engaged in the manufacturing, marketing, sale and distribution of blood glucose meters, test strips and the

accessories associated with the testing of blood in connection with diabetes, including, without limitation, the provision of FDA cleared cellular enabled blood glucose meters and related telehealth services (the "**Business**"); and

WHEREAS, the Buyers desire to purchase, acquire and assume from Seller, and Seller desires to sell, assign and convey to the Buyers, substantially all the assets and liabilities of the Business, including all of the issued and outstanding capital stock of TMS Sub (the "**Shares**"), in each case, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE I
PURCHASE AND SALE

Section 1.01. Purchase and Sale of Shares. On the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller shall sell, convey, assign, transfer and deliver, as the legal and beneficial owner, to Shares Buyer, and Shares Buyer shall purchase, acquire and accept from Seller, free and clear of all Encumbrances, other than restrictions on transfer of securities imposed by applicable securities Laws, all right, title and interest in and to the Shares. For the avoidance of doubt, none of the Purchased Assets, the Assumed Liabilities, the Excluded Assets and Excluded Liabilities (in each case, as defined in this Agreement) shall include any of the assets, properties and rights or liabilities of TMS Sub, which are acquired directly or indirectly by Shares Buyer pursuant to this Section 1.01.

Section 1.02. Purchase and Sale of Assets. Subject to the terms and conditions set forth herein, at the Closing, Seller shall, or shall cause its Affiliates (other than TMS Sub) to, sell, assign, transfer, convey and deliver to Assets Buyer, and Assets Buyer shall purchase, acquire and assume from Seller, free and clear of any Encumbrances other than Permitted

Encumbrances, all of Seller's right, title and interest in, to and under all of the assets, properties and rights of every kind and nature, whether real, personal or mixed, tangible or intangible (including goodwill), wherever located and whether now existing or hereafter acquired (other than the Excluded Assets and the Shares), which relate to, or are used or held for use in connection with the Business (collectively, the "**Purchased Assets**"), including the following:

(a) all Business Inventory owned by Seller and its Affiliates (other than TMS Sub);

(b) all Business Contracts, including the Intellectual Property Licenses set forth in Schedule 1.02(b) (the "**Assigned Contracts**");

(c) all Intellectual Property Assets, including those assets listed in Schedule 1.02(c);

(d) all furniture and fixtures used in the Business, including those assets listed in Schedule 1.02(d) (the "**Furniture and Fixtures**");

(e) all equipment, machinery, tools, vehicles, office equipment, supplies, computers, telephones and other tangible personal property used in the Business, including those assets listed in Schedule 1.02(e) (the "**Tools and Equipment**" and together with the Furniture and Fixtures, the "**Tangible Personal Property**");

(f) all Permits which are held by Seller or its Affiliates (other than TMS Sub) and required for the conduct of the Business as currently conducted or for the ownership and use of the Purchased Assets, including those listed on Section 3.16(a) of the Disclosure Schedules;

(g) all prepaid expenses, credits, advance payments and deposits to the extent related to the Business;

(h) excluding those assets in Section 1.03(c), originals, or where not available, copies, of all books and records relating to the Business, the Purchased Assets or the Assumed Liabilities, including, but not limited to, books of account, ledgers and general, financial and accounting records, machinery and equipment maintenance files, customer lists, customer purchasing histories, price lists, distribution lists, supplier lists, production data, quality control records and procedures, customer complaints and inquiry files, research and development files, records and data (including all correspondence with any Governmental Authority), sales material and records (including pricing history, total sales, terms and conditions of sale, sales and pricing policies and practices), strategic plans, internal financial statements, marketing and promotional surveys, material and research and intellectual property files relating to the Intellectual Property Assets and the Intellectual Property Licenses ("**Books and Records**");

(i) all assets included on Exhibit A as current assets and taken into account in the calculation of Working Capital as of the Effective Time; and

(j) all goodwill and the going concern value of the Business.

Section 1.03. Excluded Assets. Notwithstanding the foregoing, the Purchased Assets shall not include the following assets of Seller (collectively, the "**Excluded Assets**"):

(a) Contracts, including Intellectual Property Licenses, that are not Assigned Contracts (the "**Excluded Contracts**");

(b) all capital stock and convertible notes of Common Sensing held by Seller;

(c) the corporate seals, organizational documents, minute books, stock books, Tax Returns, books of account or other records having to do with the corporate organization of Seller;

(d) all Tax assets of Seller, Tax refunds for Taxes paid by Seller, Tax rebates of Taxes paid by Seller, and prepayments of Taxes imposed on Seller;

(e) all rights to any Actions of any nature;

(f) all claims, security, refunds, rights of recovery, rights of set-off, rights of recoupment, charges, sums and fees;

(g) all rights under warranties, indemnities and all similar rights against third parties;

(h) all insurance benefits, including rights and proceeds;

(i) the assets, properties and rights specifically set forth on Section 1.03(i) of the Disclosure Schedules; and

(j) the rights which accrue or will accrue to Seller under the Transaction Documents.

Section 1.04. Assumed Liabilities. Subject to the terms and conditions set forth herein, Assets Buyer shall assume and agree to pay, perform and discharge only the following Liabilities of Seller which relate to the Business (collectively, the "**Assumed Liabilities**"), and no other Liabilities:

(a) all Liabilities in respect of the Assigned Contracts, but only to the extent that such Liabilities thereunder are required to be performed after the Closing Date, were incurred in the ordinary course of business and do not relate to any failure to perform, improper performance, warranty or other breach, default or violation by Seller on or prior to the Closing;

(b) all trade accounts payable of Seller to third parties incurred in connection with the Business that remain unpaid, to the extent included on Exhibit A as current liabilities and taken into account in the calculation of Working Capital ("**Accounts Payable**");

(c) all liabilities of Seller and its Affiliates (other than TMS Sub) included on Exhibit A as current liabilities and taken into account in the calculation of Working Capital as of the Effective Time;

(d) Transfer Taxes that are the responsibility of the Buyers pursuant to Section 5.08;

(e) any Liabilities arising out of, relating to or otherwise in respect of the operation of the Business or the Purchased Assets following the Closing Date, and which, for the avoidance of doubt, do not relate to any failure to perform, improper performance, or other breach, default or violation by Seller or any of its Affiliates on or prior to the Closing; and

(f) those Liabilities of Seller specifically set forth on Schedule 1.04(f).

Section 1.05. Excluded Liabilities. Notwithstanding the provisions of Section 1.04 or any other provision in this Agreement to the contrary, Assets Buyer shall not assume and shall not be responsible to pay, perform or discharge any Liabilities of Seller or any of its Affiliates (other than TMS Sub) of any kind or nature whatsoever other than the Assumed Liabilities (the "**Excluded Liabilities**"). Without limiting the generality of the foregoing, the Excluded Liabilities shall include the following:

(a) any Liabilities of Seller arising or incurred in connection with the negotiation, preparation, investigation and performance of this Agreement, the Transaction Documents and the transactions contemplated hereby and thereby, including, without limitation, fees and expenses of counsel, accountants, consultants, advisers and others, including the Seller Transaction Expenses;

(b) any Liability for, without duplication, (i) all Taxes of, imposed on or owed by Seller (or any stockholder or Affiliate of Seller) for any period; (ii) all Taxes relating or attributable to the Excluded Assets or Excluded Liabilities for any period; (iii) all Taxes relating to the Business or the Purchased Assets (including Taxes described in Section 5.08(e)(i)), or the Assumed Liabilities related to any Pre-Closing Tax Period and any Straddle Period (such Taxes for a Straddle Period determined in accordance with the principles of Section 5.08(e)); (iv) Transfer Taxes that are the responsibility of Seller pursuant to Section 5.08(f)); or (v) all Taxes of Seller (or any stockholder or Affiliate of Seller) of any kind or description (including any Liability for Taxes of Seller (or any stockholder or Affiliate of Seller) that becomes a Liability of Assets Buyer under any common law doctrine of de facto merger or transferee or successor liability, any bulk sales, bulk transfer or similar Laws or otherwise by operation of contract or Law);

(c) any Liabilities relating to or arising out of the Excluded Assets;

(d) any Liabilities in respect of any pending or threatened Action arising out of, relating to or otherwise in respect of the operation of the Business or the Purchased Assets to the extent such Action relates to such operation on or prior to the Closing Date;

(e) any Liabilities relating to, arising under or in connection with any Seller Debt;

(f) any Liabilities relating to, arising under or in connection with any Benefit Plan;

(g) any recall, design defect or similar claims of any products manufactured or sold by Seller;

(h) any product Liability or similar claim for injury to a Person or property which arises out of or is based upon any express or implied representation, warranty, agreement or guaranty made by Seller or any of its Affiliates, or by reason of the improper performance or malfunctioning of a product, improper design or manufacture, failure to adequately package, label or warn of hazards or other related product defects of any products at any time manufactured or sold by Seller or any of its Affiliates or any service performed by Seller;

(i) any Environmental Claims, or Liabilities under Environmental Laws, to the extent arising out of or relating to facts, circumstances or conditions existing on or prior to the Closing or otherwise to the extent arising out of any actions or omissions of Seller;

(j) any Liabilities of Seller relating to any present or former employees, agents or independent contractors of Seller, including, without limitation, any Liabilities associated with any claims for (i) wages or other benefits; (ii) workers' compensation; or (iii) accrued and unused vacation, sick leave and other paid time off, in each case except to the extent included on Exhibit A as current liabilities and taken into account in the calculation of Working Capital as of Closing;

(k) any Liabilities to indemnify, reimburse or advance amounts to any present or former officer, director, employee or agent of Seller (including with respect to any breach of fiduciary obligations by same);

(l) any Liabilities under the Excluded Contracts or any other Contracts, including Intellectual Property Licenses, (i) which are not Business Contracts; (ii) which are not validly and effectively assigned to Assets Buyer pursuant to this Agreement; (iii) which do not conform to the representations and warranties with respect thereto contained in this Agreement; or (iv) to the extent such Liabilities arise out of or relate to a breach by Seller of such Contracts prior to Closing; and

(m) those Liabilities of Seller specifically set forth on Schedule 1.05(m).

Section 1.06. Purchase Price.

(a) The aggregate purchase price to be paid for the Shares and Purchased Assets shall be $7,000,000 (the "**Base Purchase Price**"), adjusted as follows:

(i) (A) minus, on a dollar-for-dollar basis, the amount, if any, by which the Working Capital as of the Effective Time is less than $1,378,863, or (B) plus, on a dollar-for-dollar basis, the amount, if any, by which the Working Capital as of the Effective Time is greater than $1,478,863.

(hereinafter the Base Purchase Price, as adjusted by item (i) above is referred to as the "**Purchase Price**").

(b) The Purchase Price is subject to further adjustment pursuant to Section 1.07, Section 1.08 and Article VI.

(c) Seller shall, at least three (3) Business Days prior to the Closing Date, cause to be prepared and delivered to the Buyers a statement (the "**Good Faith Statement**") setting forth Seller's good faith estimate, as of the Effective Time, of (i) the amount of Working Capital, and (ii) Seller's calculation of the Purchase Price (based on Seller's good faith estimate of Working Capital) (the "**Estimated Purchase Price**"). At the Closing, the Buyers shall make, or cause to be made, the following payments:

(i) The Buyers shall pay, or cause to be paid, to Seller an amount equal to the sum of (A) the Estimated Purchase Price, minus (B) the Escrow Amount (the "**Closing Cash Payment**"), in the form of a wire transfer of immediately available funds made in accordance with written wire transfer instructions provided to the Buyers by Seller no later than two (2) Business Days prior to the Closing Date.

(ii) The Buyers shall deposit, or cause to be deposited, the Escrow Amount by wire transfer of immediately available funds into an account designated by the Escrow Agent and shall be held and distributed in accordance with the terms of the Escrow Agreement to satisfy any and all claims made by the Buyers or any other Buyer Indemnitee against Seller pursuant to Article VI.

Section 1.07. Post-Closing Purchase Price Adjustment.

(a) Within ninety (90) days after the Closing Date, the Buyers shall prepare and deliver, or cause to be prepared and delivered, to Seller a statement executed by the Treasurer of each of the Buyers (the "**Closing Statement**") setting forth (i) its calculation of the Working Capital as of the Effective Time and (ii) its calculation of the Purchase Price (based on such calculation of Working Capital).

(b) If Seller has a dispute with respect to the Buyers' calculation of Working Capital or Purchase Price, Seller shall deliver to the Buyers a written notice (a "**Notice of Dispute**") not more than thirty (30) days after the date Seller receives the Closing Statement. Seller shall be deemed to have agreed with all items and amounts contained in the Closing Statement that are not set forth in the Notice of Dispute. If Seller fails to deliver a Notice of Dispute within such thirty (30) day period, Seller shall be deemed to have accepted the Closing Statement and the Buyers determination of the Purchase Price therein. Upon receipt of any Notice of Dispute, (i) any items in the Closing Statement that are not disputed therein shall become final and binding upon the parties hereto and (ii) Seller and the Buyers shall promptly consult with each other with respect to the items in dispute (the "**Disputed Items**") in good faith to resolve such Disputed Items during the thirty (30) day period after the Buyers receive the Notice of Dispute (the "**Resolution Period**"). If Seller and the Buyers fail to resolve any such Disputed Items during the Resolution Period, then Seller and the Buyers shall promptly (and in any event within thirty (30) days of the end of the Resolution Period) submit, or cause to be submitted, the Disputed Items in writing for resolution by the Independent Accountant. The Independent Accountant shall make a written determination as to each such Disputed Item, and the determination of each such disputed item shall be within the range established by the Closing Statement and the Notice of Dispute. Each of the parties hereto shall be permitted to submit such data and information to the Independent Accountant as the parties hereto deem appropriate. The Buyers and Seller shall use their commercially reasonable efforts to cause the Independent Accountant to render a written decision resolving the matters submitted to it as promptly as possible following the submission thereof but in any case, no later than thirty (30) days from the date of engagement of the Independent Accountant. The determination of the Independent Accountant shall be final, conclusive and binding upon the parties hereto and shall not be subject to appeal or further

review. All expenses and fees incurred in connection with the Independent Accountant shall be borne by Seller, on the one hand, and the Buyers, on the other hand, pro rata based on the relative difference between the Independent Accountant's resolution of the aggregate dollar amount of Disputed Items and the aggregate dollar amount of the Disputed Items as submitted by the Buyers in the Closing Statement and by Seller in the Notice of Dispute, such that the party(ies) with whom the Independent Accountant more closely agrees pays a lesser portion of the Independent Accountant's fees and expense and the other party(ies) pays a greater portion. In connection with this Section 1.07(b), each party shall cooperate with and make available to the other party(ies) and its respective representatives all information, records, data and working papers, and shall permit reasonable access to its facilities and personnel, as may be reasonably required in connection with the preparation and analysis of the Closing Statement and the calculation of Working Capital as of the Closing reflected therein and the resolution of any disputes in connection therewith.

(c) The Working Capital as determined in accordance with this Section 1.07 shall be used to determine the final Purchase Price in accordance with Section 1.06(a) (the "**Final Purchase Price**"). Once the Final Purchase Price is determined in accordance with Section 1.06(a) and this Section 1.07, the following shall occur:

(i) if the Final Purchase Price exceeds the Estimated Purchase Price, the Buyers shall pay, or cause to be paid, within five (5) Business Days after determination of the Final Purchase Price, to Seller the amount of such difference by wire transfer of immediately available funds to the account designated by Seller; or

(ii) if the Estimated Purchase Price exceeds the Final Purchase Price, the Buyers shall have the right to withhold, deduct and setoff against all or a portion of any sum that may be owed to Seller pursuant to Section 1.08 to the extent Seller has not paid to the Buyers, the later of (x) within five (5) Business Days after determination of the Final Purchase Price or (y) prior to the end of the 2017 Earn-Out Period, the full amount of such difference by wire transfer of immediately available funds to the account(s) designated by the Buyers.

(d) Any payment pursuant to Section 1.07(c) shall be deemed to be an adjustment to the Purchase Price for Tax purposes, unless otherwise required by Law.

Section 1.08. Earn-Out Consideration.

(a) In addition to the Purchase Price, Seller shall be entitled to additional consideration of up to $5,000,000 from the Buyers after the Closing on the terms and subject to the conditions set forth in this Section 1.08 (the "**Earn-Out Consideration**").

(i) The Earn-Out Consideration shall be conditioned upon the Closing and the Buyers and/or their Affiliates achieving the following revenue targets, in the aggregate: (A) $2,000,000 of Earn-Out Consideration shall be conditioned on and subject to the Buyers and/or their Affiliates achieving Revenue of at least $7,200,000 during the fiscal year ending December 31, 2017 (the "**2017 Earn-Out Period**") which shall be increased on a linear, straight-line basis up to a maximum of $4,000,000 in Earn-Out Consideration during the 2017 Earn-Out Period in the event the Buyers and/or their Affiliates achieve Revenue of at least $9,600,000 during the

2017 Earn-Out Period; and (B) $500,000 of Earn-Out Consideration shall be conditioned on and subject to the Buyers and/or their Affiliates achieving Revenue of at least $12,180,000 during the fiscal year ending December 31, 2018 (the "**2018 Earn-Out Period**", and together with the 2017 Earn-Out Period, the "**Earn-Out Periods**") which shall be increased on a linear, straight-line basis up to a maximum of $1,000,000 in Earn-Out Consideration during the 2018 Earn-Out Period in the event the Buyers and/or their Affiliates achieve Revenue of at least $17,400,000 during the 2018 Earn-Out Period. For purposes of this Section 1.08, "**Revenue**" shall mean, with respect to the subject period, the gross revenue of the Business in such period, calculated in accordance with GAAP.

(ii) Subject to Section 1.07(c)(ii) and Section 1.08(b), the Earn-Out Consideration will be paid or caused to be paid in cash by the Buyers to Seller (by wire transfer of immediately available funds to an account designated in writing by Seller) within, the later of (i) five (5) Business Days after receipt of the consolidated audited financial statements of Parent for each subject Earn-Out Period, or (ii) ninety (90) days following completion of the applicable fiscal year. The Buyers' payment of Earn-Out Consideration will be accompanied by a copy of the consolidated audited financial statements of Parent for the applicable Earn-Out Period, as well as a statement executed by the Treasurer of each of the Buyers setting forth the calculation of Revenue for the applicable Earn-Out Period. Upon the request of Seller, Parent shall provide such other information used in the preparation of the calculation of Revenue as is reasonably necessary for Seller to confirm such calculation. If Seller has a dispute with respect to the calculation of any Earn-Out Consideration, Seller shall deliver to the Buyers a Notice of Dispute not more than thirty (30) days after the date Seller receives the applicable Earn-Out Consideration payment and related consolidated audited financial statements of Parent for the applicable Earn-Out Period. Seller shall be deemed to have agreed with the Buyers' calculation of the applicable Earn-Out Consideration to the extent not set forth in the Notice of Dispute. If Seller fails to deliver a Notice of Dispute within such thirty (30) day period, Seller shall be deemed to have accepted the Buyers' calculation of the applicable Earn-Out Consideration. Upon receipt of any Notice of Dispute, Seller and the Buyers shall promptly consult with each other with respect to the Disputed Items in good faith to resolve such Disputed Items during the thirty (30) day period after the Buyers receive the Notice of Dispute. If Seller and the Buyers fail to resolve any such Disputed Items during the Resolution Period, then Seller and the Buyers shall promptly (and in any event within thirty (30) days of the end of the Resolution Period) submit the Disputed Items in writing for resolution by the Independent Accountant. The Independent Accountant shall make a written determination as to each such Disputed Item. Each of the parties hereto shall be permitted to submit such data and information to the Independent Accountant as each of the parties hereto deem appropriate. The Buyers and Seller shall use their commercially reasonable efforts to cause the Independent Accountant to render a written decision resolving the matters submitted to it as promptly as possible following the submission thereof but in any case, no later than thirty (30) days from the date of engagement of the Independent Accountant. The determination of the Independent Accountant shall be final, conclusive and binding upon the parties hereto and shall not be subject to appeal or further review. All expenses and fees incurred in connection with the Independent Accountant shall be borne equally by Seller, on the one hand, and the Buyers, on the other hand. In connection with this Section 1.08, each party shall cooperate with and make available to the other party and its representatives all information, records, data and working papers, and shall permit reasonable access to its facilities and personnel, as may be reasonably required in connection with the calculation of any Earn-Out Consideration and the resolution of any disputes in connection therewith.

(iii) Each of the Buyers agrees and acknowledges that the possibility of receiving the Earn-Out Consideration comprises a material inducement for Seller to enter into this Agreement and consummate the transactions contemplated hereby, and Seller agrees and acknowledges that the Buyers and Parent shall have sole discretion with regard to all matters relating to the operation of the Business, and may from time to time take such actions in good faith that may have an impact on Revenue during the Earn-Out Periods and on the Earn-Out Consideration. Notwithstanding the foregoing, during the Earn-Out Periods, the Buyers and Parent shall (i) operate the Business in good faith; (ii) maintain true, complete and accurate books and records relating to the subject matter of this Section 1.08, which it shall make available for review by Seller and its Representatives pursuant to Section 5.05; and (iii) use commercially reasonable efforts to promote and support the products and services offered by the Business.

(b) **Right of Setoff; Holdback**. Subject to the limitations set forth in Section 1.07 and Section 6.04, the Buyers shall have the right to withhold, deduct and setoff against all or a portion of any sum that may be owed to Seller under this Section 1.08 and Article VI any amount finally determined to be owed by Seller to the Buyers pursuant to Section 1.07 and Article VI.

(c) **Adjustments for Tax Purposes.** Any payment pursuant to Section 1.08 shall be deemed to be an adjustment to the Purchase Price for Tax purposes less any amount treated as imputed interest under Section 483 of the Code, the Treasury Regulations promulgated thereunder or other applicable Law.

Section 1.09. Withholding Tax. The Buyers shall be entitled to deduct and withhold from the Purchase Price all Taxes that the Buyers shall be required to deduct and withhold under any provision of applicable Tax Law and shall pay such amount to the applicable Taxing Authority, provided that prior to making any such deduction or withholding, the Buyers shall provide notice to the recipient of the amounts subject to withholding and a reasonable opportunity for such recipient to provide forms or other evidence that would exempt such amounts from withholding tax. To the extent such amounts are so withheld and timely paid to the applicable Taxing Authority, such withheld amounts shall be treated for purposes of this Agreement as having been paid to the Person with respect to which such amount was withheld.

ARTICLE II
CLOSING

Section 2.01. Closing. Subject to the terms and conditions of this Agreement, the consummation of the transactions contemplated by this Agreement (the "**Closing**") shall take place at the offices of Reed Smith LLP, 599 Lexington Avenue, New York, NY 10022, commencing at 9:00 a.m. local time on the date hereof, or at such other time, place and date and in such manner (including by electronic means) that Seller and the Buyers may agree to in writing. The date upon which the Closing occurs is referred to herein as the "**Closing Date**". The Closing shall be deemed completed as of 12:01am (EST) on the morning of the Closing Date (the "**Effective Time**").

Section 2.02. Closing Deliverables.

(a) At the Closing, Seller shall deliver to Shares Buyer or Assets Buyer, as applicable, the following:

(i) stock certificate evidencing the Shares, free and clear of all Encumbrances, other than restrictions on transfer of securities imposed by applicable securities Laws, duly endorsed in blank or accompanied by stock powers or other instruments of transfer duly executed in blank, with all required stock transfer tax stamps affixed thereto;

(ii) a bill of sale, in the form of Exhibit C attached hereto (the "**Bill of Sale**"), and duly executed by Seller, transferring the tangible personal property included in the Purchased Assets to Assets Buyer;

(iii) an assignment and assumption agreement, in the form of Exhibit D attached hereto (the "**Assignment and Assumption Agreement**"), and duly executed by Seller, effecting the assignment to and assumption by Assets Buyer of the Purchased Assets (other than tangible personal property, Intellectual Property Assets and Intellectual Property Licenses) and the Assumed Liabilities;

(iv) an assignment, in the form of Exhibit E attached hereto (the "**Intellectual Property Assignment**"), and duly executed by Seller, transferring all of Seller's right, title and interest in and to the Intellectual Property Assets and the Intellectual Property Licenses to Assets Buyer;

(v) the Escrow Agreement, duly executed by Seller;

(vi) written release(s) of all Encumbrances (except for Encumbrances which are Permitted Encumbrances) relating to the Business Assets, in each case, executed by the holder of or parties to each such Encumbrance, in form and substance satisfactory to the Buyers;

(vii) the Good Faith Statement, duly executed by an officer of Seller;

(viii) a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Seller certifying that attached thereto are true and complete copies of all resolutions adopted by the board of directors and stockholders of Seller authorizing the execution, delivery and performance of this Agreement and the Transaction Documents and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby;

(ix) a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Seller certifying the names and signatures of the officers of Seller authorized to sign this Agreement, the Transaction Documents and the other documents to be delivered hereunder and thereunder;

(x) a certificate pursuant to Treasury Regulations Section 1.1445-2(b) that Seller is not a foreign person within the meaning of Section 1445 of the Code duly executed by Seller;

(xi) a resignation letter from each officer and each individual on the board of directors of TMS Sub, in form and substance reasonably satisfactory to the Buyers, duly executed by the applicable officer or director;

(xii) an employment agreement, duly executed by Paula LeClair, in the form of Exhibit F attached hereto (the "**LeClair Employment Agreement**");

(xiii) all third-party approvals, consents and waivers required to occur prior to and in connection with the transaction contemplated hereby and that are listed on Section 2.02(a)(xiii) of the Disclosure Schedules, duly executed by the applicable third parties; and

(xiv) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to the Buyers, as may be required to give effect to this Agreement.

(b) At the Closing, Shares Buyer or Assets Buyer, as applicable, shall deliver, or cause to be delivered, to Seller the following:

(i) the Closing Cash Payment;

(ii) the Bill of Sale, duly executed by Assets Buyer;

(iii) the Assignment and Assumption Agreement, duly executed by Assets Buyer;

(iv) the Intellectual Property Assignment, duly executed by Assets Buyer;

(v) a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of each of the Buyers and Parent certifying that attached thereto are true and complete copies of all resolutions adopted by the sole member of each of the Buyers and the board of directors of Parent, authorizing the execution, delivery and performance of this Agreement and the Transaction Documents and the consummation of the transactions contemplated hereby and thereby, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby;

(vi) a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of each of the Buyers and Parent certifying the names and signatures of the officers of each of the Buyers and Parent, respectively, authorized to sign this Agreement, the Transaction Documents and the other documents to be delivered hereunder and thereunder;

(vii) the LeClair Employment Agreement, duly executed by Shares Buyer; and

(viii) the Escrow Agreement, duly executed by each of the Buyers.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the correspondingly numbered Section of the Disclosure Schedules (or disclosed in another Section of the Disclosure Schedules; provided that it is reasonably apparent upon reading such disclosure without independent knowledge of the reader regarding the matter disclosed that the disclosure is responsive to such other Section of this Article III), Seller hereby represents and warrants to the Buyers that the statements contained in this Article III are true and correct as of the date hereof (or, if made as of a specified date, as of such date).

Section 3.01. Organization and Qualification of the Seller Parties

(a) Each of the Seller Parties is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware and has full corporate power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on the Business as currently conducted.

(b) Section 3.01(b) of the Disclosure Schedules sets forth each jurisdiction in which each of the Seller Parties is licensed or qualified to do business. Each of the Seller Parties is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the ownership of the Business Assets or the operation of the Business as currently conducted makes such licensing or qualification necessary.

Section 3.02. Authority of Seller. Each of the Seller Parties has full corporate power and authority to enter into this Agreement and the Transaction Documents to which it is a party, to carry out each of its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by each of the Seller Parties of this Agreement and any Transaction Document to which it is a party, the performance by each of the Seller Parties of its obligations hereunder and thereunder and the consummation by each of the Seller Parties of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of each of the Seller Parties. This Agreement has been duly executed and delivered by Seller, and (assuming due authorization, execution and delivery by each other party hereto) this Agreement constitutes a legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms. When each Transaction Document to which a Seller Party is a party has been duly executed and delivered by such Seller Party (assuming due authorization, execution and delivery by each other party thereto), such Transaction Document will constitute a legal and binding obligation of such Seller Party enforceable against it in accordance with its terms.

Section 3.03. Capitalization of TMS Sub.

(a) Seller is the legal and beneficial owner of the Shares and the Shares constitute all of the issued and outstanding shares of the capital stock of TMS Sub. All of the Shares have been validly issued and are fully paid. The Shares are free from any Encumbrance, other than restrictions on transfer of securities imposed by applicable securities Laws, and there is no agreement or commitment outstanding to create an Encumbrance in relation to the Shares or any unissued shares in TMS Sub in favor of any other Person and no claim has been made by any

Person to be entitled to any. At the Closing, assuming Shares Buyer has the requisite power and authority to be the lawful owner of the Shares, Seller shall transfer to Shares Buyer good and marketable title to the Shares, free and clear of all Encumbrances, other than restrictions on transfer of securities imposed by applicable securities Laws. There are no options, warrants, convertible securities or other rights, agreements, arrangements or commitments of any character relating to the Shares or obligating either Seller or TMS Sub to issue or sell any shares of capital stock of, or any other interest in, TMS Sub. Except for this Agreement, there is no agreement or arrangement entered into (whether conditional or not) which requires the present or future creation, issue, sale, transfer, redemption or repayment of any capital stock of TMS Sub, or grants or requires the grant to any Person of the right to call for the creation, issue, sale, transfer, redemption or repayment of any capital stock of TMS Sub.

(b) TMS Sub does not have outstanding or authorized any stock appreciation, phantom stock, profit participation or similar rights. There are no voting trusts, stockholder agreements, proxies or other agreements or understandings in effect with respect to the voting or transfer of any of the Shares. TMS Sub does not own any equity interests or capital stock of any Person.

Section 3.04. No Conflicts; Consents. The execution, delivery and performance by each of the Seller Parties of this Agreement and the Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the certificate of incorporation and by-laws of any of the Seller Parties; (b) conflict with or result in a violation or breach of any provision of any Law or a violation or breach of any provision of any Governmental Order applicable to the Seller Parties, the Business or the Business Assets; (c) except as set forth in Section 3.04 of the Disclosure Schedules, require the consent, notice or other action by any Person under, conflict with, result in a violation or breach of, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel any Business Contract or Permit to which any of the Seller Parties is a party or by which any of the Seller Parties or the Business is bound or to which any of the Business Assets are subject; or (d) result in the creation or imposition of any Encumbrance other than Permitted Encumbrances on the Business Assets or the Shares. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to any of the Seller Parties in connection with the execution and delivery of this Agreement or any of the Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

Section 3.05. Financial Statements.

(a) Seller has made available to the Buyers true and complete copies of (i) the audited balance sheet of the Seller Parties as of December 31, 2014 and the related statement of income for the twelve-month period then ended; (ii) the unaudited balance sheet of the Seller Parties as of December 31, 2015 and the related statement of income for the twelve-month period then ended; and (iii) the unaudited balance sheet of the Seller Parties as of September 30, 2016 (the "**Balance Sheet Date**") and the related statement of income for the nine-month period then ended (together, the "**Financial Statements**") All of such Financial Statements present fairly in

all material respects the financial condition, results of operations of the Seller Parties for the dates and periods indicated thereon in accordance with GAAP applied on a consistent basis (including with respect to accruals) throughout the periods indicated, except as disclosed therein and except, with respect to the unaudited Financial Statements, for (i) normal year-end adjustments, none of which adjustments are or will be material, and (ii) the omission of footnote disclosures required by GAAP.

(b) The accounts receivable reflected on the balance sheet as of the Balance Sheet Date included in the Financial Statements and all of the accounts receivable of the Business arising since the Balance Sheet Date arose from bona fide transactions in the ordinary course of business, and the products and services involved have been sold, delivered and performed to the account obligors, and no further filings (with governmental agencies, insurers or others) are required to be made, no further services are required to be provided and no further services are required to be rendered in order to complete the sales and fully render the services and to entitle any of the Seller Parties to collect such accounts receivable in full. No such account has been assigned or pledged to any Person, and, except only to the extent fully reserved against as set forth in the balance sheet as of the Balance Sheet Date included in the Financial Statements, and no defense or set-off to any such account has been asserted by the account obligor or exists.

(c) Neither of the Seller Parties has any Liabilities with respect to the Business that would be required to by GAAP to be reflected in the balance sheet of the Seller Parties, except (a) those which are adequately reflected or reserved against in the Financial Statements, and (b) those which have been incurred in the ordinary course of business consistent with past practice since the Balance Sheet Date (none of which is a liability for breach of Contract, breach of warranty, tort, infringement or violation of Law) and which are not, individually or in the aggregate, material in amount.

Section 3.06. Absence of Certain Changes, Events and Conditions. Except as set forth in Section 3.06 of the Disclosure Schedules, since December 31, 2015, and other than in the ordinary course of business consistent with past practice, there has not been any:

(a) event, occurrence or development that has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect;

(b) amendment of the certificate of incorporation, by-laws or other organizational documents of TMS Sub;

(c) split, combination or reclassification of any shares of the capital stock of TMS Sub;

(d) issuance, sale or other disposition of any shares of the capital stock of TMS Sub, or grant of any options, warrants or other rights to purchase or obtain (including upon conversion, exchange or exercise) any shares of the capital stock of TMS Sub;

(e) material change in any method of accounting or accounting practice for the Business;

(f) with respect to the Business, material change in cash management practices and policies, practices and procedures with respect to collection of accounts receivable, establishment of reserves for uncollectible accounts receivable, accrual of accounts receivable, inventory control, prepayment of expenses, payment of trade accounts payable, accrual of other expenses, deferral of revenue and acceptance of customer deposits;

(g) material change in any of the Seller Parties' relationship with any customer, vendor, or supplier related to the Business;

(h) entry into any Contract that would constitute a Material Contract;

(i) incurrence, assumption or guarantee of any indebtedness for borrowed money in connection with the Business, except unsecured current obligations and Liabilities incurred in the ordinary course of business consistent with past practice;

(j) transfer, assignment, sale or other disposition of any of the Business Assets, except for the use and sale of Business Inventory and supplies in the ordinary course of business;

(k) cancellation of any debts or claims constituting Business Assets or amendment, termination or waiver of any rights constituting Business Assets;

(l) transfer, assignment or grant of any license or sublicense of any material rights under or with respect to any Intellectual Property Assets or Intellectual Property Licenses except in the ordinary course of business;

(m) material damage, destruction or loss, or any material interruption in use, of any Business Assets, whether or not covered by insurance;

(n) acceleration, termination, material modification to or cancellation of any Business Contract or Permit;

(o) material capital expenditures relating to the Business;

(p) imposition of any Encumbrance other than a Permitted Encumbrance upon any of the Business Assets or the Shares;

(q) grant of any bonuses, whether monetary or otherwise, or any general wage or salary increases in respect of any Employees, other than as provided for in this Agreement or any written agreements, or any other change in the terms of employment for any Employee other than as provided for in this Agreement or any other written agreement;

(r) loan to, or entry into any other material transaction with any Employees other than as provided for in this Agreement or any other written agreement;

(s) adoption of any plan of merger, consolidation, reorganization, liquidation or dissolution or filing of a petition in bankruptcy under any provisions of federal or state bankruptcy Law or consent to the filing of any bankruptcy petition against it under any similar Law, in each case, with respect to any of the Seller Parties;

(t) purchase, lease or other acquisition of the right to own, use or lease any property or assets in connection with the Business for an amount in excess of $10,000, individually (in the case of a lease, per annum) or $25,000 in the aggregate (in the case of a lease, for the entire term of the lease, not including any option term), except for purchases of Business Inventory or supplies in the ordinary course of business consistent with past practice;

(u) adoption, amendment, modification or termination of any bonus, profit sharing, incentive, severance, or other plan, Contract or commitment for the benefit of any Employees (including any such action taken with respect to any other Benefit Plan) other than as provided for in this Agreement or any other written agreement;

(v) filing of any amended Tax Returns by any of the Seller Parties, and neither of the Seller Parties has: (i) made or rescinded any Tax election; (ii) signed or entered into any closing agreement; (iii) settled or compromised any claim or assessment of Tax liability; (iv) surrendered any right to claim a refund, offset or other reduction in liability; (v) consented to any extension or waiver of the limitations period applicable to any claim or assessment, in each case, with respect to Taxes; (vi) changed any annual accounting period or adopted or changed any method of accounting; or (vii) acted or omitted to act where such action or omission to act could reasonably be expected to have the effect of increasing any present or future Tax liability with respect to the either of the Seller Parties or any of their Affiliates; or

(w) Contract to do any of the foregoing, or any action or omission that would result in any of the foregoing.

Section 3.07. Material Contracts.

(a) Section 3.07(a) of the Disclosure Schedules lists each of the following Business Contracts (such Contracts, together with all Contracts relating to Intellectual Property Assets set forth in Section 3.11(d) of the Disclosure Schedules and Intellectual Property Licenses set forth in Section 3.11(f) of the Disclosure Schedules, being "**Material Contracts**"):

(i) all Business Contracts involving aggregate consideration in excess of $25,000 and which, in each case, cannot be cancelled without penalty or without more than sixty (60) days' notice;

(ii) all Business Contracts that require any of the Seller Parties to purchase or sell a stated portion of the requirements or outputs of the Business or that contain "take or pay" provisions;

(iii) all Business Contracts where the primary purpose of which is to provide for the indemnification of any Person or the assumption of any Tax (other than customary commercial Contracts the principal purpose of which is not related to Taxes), environmental or other Liability of any Person;

(iv) all Business Contracts that relate to the acquisition or disposition of any business, a material amount of stock or assets of any other Person or any real property (whether by merger, sale of stock, sale of assets or otherwise);

(v) all Business Contracts that relate to services rendered to, or by, any of the Seller Parties in excess of $25,000;

(vi) all Business Contracts that provide or give any express warranty to customers with respect to any of the products or services of the Business;

(vii) all broker, distributor, dealer, manufacturer's representative, franchise, agency, sales promotion, market research, marketing consulting and advertising Business Contracts;

(viii) all employment agreements and Business Contracts with independent contractors or consultants (or similar arrangements) and which are not cancellable without material penalty or without more than ninety (90) days' notice;

(ix) all Business Contracts relating to the borrowing of money or the guarantee of any obligation or the deferred payment of the purchase price of any properties, including, without limitation, any Contract relating to Seller Debt;

(x) all Business Contracts with any Affiliate of any of the Seller Parties relating to the provision of funds, real property, goods or services by or to any of the Seller Parties;

(xi) all Business Contracts with any Governmental Authority;

(xii) any Business Contract with a customer or supplier listed or required to be listed in Section 3.13(a) of the Disclosure Schedules or Section 3.13(b) of the Disclosure Schedules;

(xiii) any Business Contract that provides any customer with discounted pricing on any product or service or the potential right to any such discounts in the future other than as consistent with past practices;

(xiv) all Business Contracts that limit or purport to limit the ability of any of the Seller Parties to compete in any line of business or with any Person or in any geographic area or during any period of time;

(xv) all joint venture, partnership or similar Business Contracts;

(xvi) all Business Contracts for the sale of any of the Business Assets or for the grant to any Person of any option, right of first refusal or preferential or similar right to purchase any of the Business Assets or the Shares;

(xvii) all powers of attorney with respect to the Business or any Business Asset;

(xviii) all collective bargaining agreements relating to the Business or Business Contracts with any labor organization, union or association; and

(xix) all other Business Contracts that are material to the Business Assets, TMS Sub or the operation of the Business, and not previously disclosed pursuant to this Section 3.07.

(b) Except as set forth on Section 3.07(a) of the Disclosure Schedules, each Material Contract is valid and binding on each of the Seller Parties, as applicable, in accordance with its terms and is in full force and effect and each of the Seller Parties has duly performed all of its obligations thereunder in all material respects. None of Seller Parties or, to Seller's Knowledge, any other party thereto is in breach of or default under (or is alleged to be in breach of or default under), or has provided or received any notice of any intention to terminate, any Material Contract. No event or circumstance has occurred that, with notice or lapse of time or both, would constitute an event of default under any Material Contract or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of any benefit thereunder. Complete and correct copies of each Material Contract (including all modifications, amendments and supplements thereto and waivers thereunder) have been made available to the Buyers. There are no material disputes pending or, to Seller's Knowledge, threatened under any Business Contract.

Section 3.08. Title to Business Assets. Each of the Seller Parties has good and valid title to, or a valid leasehold interest in, all of the Business Assets. All such Business Assets (including leasehold interests) are free and clear of Encumbrances except for the following (collectively referred to as "**Permitted Encumbrances**"):

(a) those items set forth in Section 3.08 of the Disclosure Schedules;

(b) statutory liens for current Taxes not yet due and payable or liens being contested in good faith by appropriate procedures and for which there are adequate accruals or reserves on the balance sheet of any of the Seller Parties as of the date hereof; or

(c) mechanics', carriers', workmen's, repairmen's or other like liens arising or incurred in the ordinary course of business consistent with past practice with respect to amounts that are not delinquent and which are not, individually or in the aggregate, material to the Business or the Business Assets.

Section 3.09. Condition and Sufficiency of Assets. The furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property included in the Business Assets are in good operating condition and repair except for ordinary wear and tear, and are suitable and adequate for the uses to which they are being put, and none of such furniture, fixtures, machinery, equipment, vehicles and other items of tangible personal property is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in nature or cost. The Business Assets are sufficient for the continued conduct of the Business immediately after the Closing in substantially the same manner as conducted prior to the Closing and, except for the Excluded Assets, constitute all of the rights, property and assets used in and necessary for the conduct of the Business as currently conducted.

Section 3.10. Real Property.

(a) Section 3.10(a) of the Disclosure Schedules sets forth a list of all leases, licenses or similar agreements to which any of the Seller Parties is a party that are for the use or occupancy of real estate ("**Leases**") (true and complete copies of which have previously been furnished to the Buyers, together with all related documents, including non-disturbance agreements, underlying ground leases, title insurance policies, surveys, lease amendments or modifications, notices of renewal or non-renewal, expansion options and purchase options) (the parcels of real property related to the Leases identified on Section 3.10(a) of the Disclosure Schedules are referred to herein collectively as the "**Leased Premises**"). The Leases are in full force and effect and have not been amended except as disclosed in Section 3.10(a) of the Disclosure Schedules, and none of the Seller Parties is, and to Seller's Knowledge, no other party thereto is, in default or breach under any such Lease. No event has occurred which, with the passage of time or the giving of notice or both, would cause a breach of or default by any of Seller Parties under any Lease. Each of the Seller Parties has a valid leasehold interest in each of its Leased Premises, free and clear of any and all Encumbrances or title defects of any nature whatsoever. None of the Seller Parties has transferred, granted, pledged, licensed, subleased, modified, supplemented or assigned any interest in Leases or the Leased Premises in any respect, and none of the Seller Parties has entered into any Contract for any such purpose. Neither of the Seller Parties has received any written notice prior to the date of this Agreement of the intention of any party to terminate any Lease.

(b) The buildings and structures that are part of the Leased Premises are in reasonable repair and condition, normal wear and tear excepted and are in the aggregate sufficient to satisfy each of the Seller Parties' current business activities as conducted thereon in connection with the operation of the Business. None of the Seller Parties or any of its respective Affiliates has received notice of (x) any condemnation, eminent domain or similar proceeding affecting any portion of any of the Leased Premises or any access thereto, and, to Seller's Knowledge, no such proceedings are contemplated, (y) any special assessment or pending improvement liens to be made by any Governmental Authority which could affect any of the Leased Premises, or (z) any violations of building codes and/or zoning ordinances or other governmental regulations with respect to any of the Leased Premises.

(c) None of the Seller Parties own (and has never owned) any real property or any ownership interest therein. Except as set forth in Section 3.10(c) of the Disclosure Schedules, the Leased Premises constitute all of the real property used in and necessary to conduct the Business as currently conducted.

Section 3.11. Intellectual Property.

(a) Section 3.11(a) of the Disclosure Schedules lists all (i) Intellectual Property Registrations and (ii) Intellectual Property Assets that are not registered but that are material to the operation of the Business. All required filings and fees related to the Intellectual Property Registrations have been timely filed with and paid to the relevant Governmental Authorities and authorized registrars, and all Intellectual Property Registrations are otherwise in good standing. Seller has provided the Buyers with true and correct copies of file histories, documents, certificates, office actions, correspondence and other materials related to all Intellectual Property Registrations.

(b) Each of the Seller Parties, as applicable, owns, exclusively, all right, title and interest in and to the Intellectual Property Assets, free and clear of Encumbrances other than Permitted Encumbrances, and has the right to transfer and assign under this Agreement the Intellectual Property Assets to Assets Buyer or Shares Buyer, as applicable, without requiring the consent of any party, except as set forth in Section 3.04 of the Disclosure Schedules. Each of the Seller Parties is in full compliance with all legal requirements applicable to the Intellectual Property Assets and the Seller Parties' ownership and use thereof.

(c) Except as set forth in Section 3.11(c) of the Disclosure Schedules, neither of the Seller Parties has (i) transferred ownership of, or granted any license of or right to use, or authorized the retention of any rights to use or granted joint ownership of, any Intellectual Property Assets to any other Person or (ii) permitted any of the Seller Parties' rights in any Intellectual Property Assets to enter into the public domain.

(d) Section 3.11(d) of the Disclosure Schedules lists all Intellectual Property Licenses, and Seller has provided the Buyers with true and complete copies of all such Intellectual Property Licenses. Each of the Seller Parties has the right to transfer or assign to Assets Buyer, through this Agreement, all Intellectual Property Licenses used in the conduct of the Business as it is currently conducted by any of the Seller Parties or proposed to be conducted by any of the Seller Parties. All Intellectual Property Licenses are in force, valid, binding and enforceable between the applicable Seller Party and the other parties thereto. Each of the Seller Parties and, to Seller's Knowledge, such other parties are in full compliance with the terms and conditions of such Intellectual Property Licenses. None of the Intellectual Property Licenses will terminate solely by the passage of time, or may be terminated by a third party, in each case, within 90 days after the Closing Date. There are no Intellectual Property Licenses used in the conduct of the Business as it is currently conducted by the Seller Parties under which any claim has been asserted or threatened, regarding the scope of such agreement, or performance under such agreement including with respect to any payments to be made or received by any of the Seller Parties thereunder.

(e) Except as set forth in Section 3.11(e) of the Disclosure Schedules, the Intellectual Property Assets and Intellectual Property Licenses as currently or formerly owned, licensed or used by each of the Seller Parties, and the conduct of the Business as currently and formerly conducted by the Seller Parties, have not and do not infringe, violate or misappropriate the Intellectual Property of any Person. Except as set forth in Section 3.11(e) of the Disclosure Schedules, neither of the Seller Parties has received any communication, and no Action has been instituted, settled or threatened in writing, that alleges any such infringement, violation or misappropriation, and none of the Intellectual Property Assets are subject to any outstanding Governmental Order. Except as set forth in Section 3.11(e) of the Disclosure Schedules, neither of the Seller Parties has received any other communication offering any of the Seller Parties a license to patent rights held by a third party.

(f) Section 3.11(f) of the Disclosure Schedules lists all licenses, sublicenses and other agreements pursuant to which any of the Seller Parties grants rights or authority to any Person with respect to any Intellectual Property Assets or Intellectual Property Licenses. Each of the Seller Parties has provided the Buyers with access to true and complete copies of all such agreements to the extent they exist. All such agreements are valid, binding and enforceable between the applicable Seller Party and the other parties thereto, and each of the Seller Parties and such other parties are in material compliance with the terms and conditions of such agreements.

(g) Except as set forth in Section 3.11(g) of the Disclosure Schedules, none of the Seller Parties or any Person acting on any of the Seller Parties' behalf has disclosed, delivered or licensed to any Person, agreed to disclose, deliver or license to any Person, or permitted the disclosure or delivery to any escrow agent or other Person of any source code owned by any of the Seller Parties and used in the Business ("**Seller Source Code**"). Except as set forth in Section 3.11(g) of the Disclosure Schedules, no event has occurred, and no circumstance or condition exists, that (with or without notice or lapse of time or both) will, or would reasonably be expected to, result in the disclosure or delivery by or on behalf of any of the Seller Parties of any Seller Source Code. Seller Source Code includes any software source code of any Intellectual Property Assets.

(h) Section 3.11(h) of the Disclosure Schedules lists all software or other material that is or contains "freeware," "free software," "open source software" or is distributed under a similar licensing or distribution model (including but not limited to the GNU General Public License) that (i) any of the Seller Parties licenses to a third party in connection with the Business; (ii) any of the Seller Parties uses in connection with the Business and the output of which is included in any Software Products; (iii) any of the Seller Parties provides on a software-as-a-service or similar basis in connection with the Business; or (iv) is otherwise incorporated into, combined with, or distributed in conjunction with any of the Seller Parties' products or services in connection with the Business (collectively, "**Incorporated Open Source Software**") and identifies the type of license or distribution model governing its use. Each of the Seller Parties' use and/or distribution of each component of Incorporated Open Source Software with or in Software Products complies in all material respects with all provisions of the applicable license agreement, and in no case does such use or distribution give rise under such license agreement to any rights in any third parties under any Intellectual Property Assets or obligations for any of the Seller Parties with respect to any Intellectual Property Assets, including without limitation any obligation to disclose or distribute any such Intellectual Property Assets in source code form, to license any such Intellectual Property Assets for the purpose of making derivative works, or to distribute any such Intellectual Property Assets without charge.

(i) All Software Products are free of all "viruses", "worms", "trojan horses", "time bombs", "back doors", and other infections or harmful routines designed to disrupt, disable, harm, distort or otherwise impede in any manner the legitimate operation of such software, or any other associated software, firmware, hardware, computer system or network.

(j) The complete source code and all related configuration or data files for the Software Products necessary to allow a competent computer programmer to compile object code versions of such Software Products completely from such source code and related configuration or data files shall be delivered to the Buyers in connection with the Closing.

(k) Except as set forth in Section 3.10(k) of the Disclosure Schedules, each current employee of any of the Seller Parties who is or was involved in, or who has contributed to, the creation or development of any Intellectual Property related to the Business has executed and delivered a customary non-disclosure, assignment and "work for hire" agreement for the benefit of such Seller Party.

Section 3.12. Inventory. All Business Inventory consists of a quality and quantity usable and saleable in the ordinary course of business consistent with past practice. The quantities of each item of Business Inventory (whether raw materials, work-in-process or finished goods) are not excessive, but are reasonable in the present circumstances of the Seller Parties. All Business Inventory is owned by the applicable Seller Party free and clear of all Encumbrances other than Permitted Encumbrances, and no Business Inventory is held on a consignment basis. All Business Inventory is located on-site at the Leased Premises except as set forth in Section 3.12 of the Disclosure Schedules.

Section 3.13. Customers and Suppliers.

(a) Section 3.13(a) of the Disclosure Schedules sets forth with respect to the Business (i) the ten (10) principal customers of the Business, as measured by the highest dollar amount of goods or services invoiced to such customers for each of (A) the twelve (12) month period ended December 31, 2015 and (B) the nine (9) month period ended September 30, 2016 (collectively, the "**Material Customers**"); and (ii) the amount invoiced to each Material Customer during such periods. Neither of the Seller Parties has received any notice that any of the Material Customers has ceased, or intends to cease after the Closing, to use the goods or services of the Business or to otherwise terminate or reduce its relationship with the Business.

(b) Section 3.13(b) of the Disclosure Schedules sets forth with respect to the Business (i) the ten principal suppliers of the Business, as measured by the highest dollar amount of goods or services purchased by any of the Seller Parties from such suppliers for each of (A) the twelve (12) month period ended December 31, 2015 and (B) the nine (9) month period ended September 30, 2016 (collectively, the "**Material Suppliers**"); and (ii) the amount of purchases from each Material Supplier during such periods. Neither of the Seller Parties has received any notice that any of the Material Suppliers has ceased, or intends to cease, to supply goods or services to the Business or to otherwise terminate or reduce its relationship with the Business. Neither of the Seller Parties has any Knowledge of any price increases to the products or services it purchases from any of their respective suppliers within the next twelve (12) months other than normal and customary price increases. The prices that the Seller Parties pay to its vendors to purchase products and services is not based on, in whole or in part, the promise to continue to do business with such vendor in the future.

(c) Neither of the Seller Parties is qualified or registered under, or has ever been qualified or registered under, any federal, state or local program or initiative (i) relating to minority-owned or small disadvantaged businesses or (ii) based upon some other status of business ownership, or has ever received from any Governmental Authority any special, preferential or advantageous treatment in connection with any such program or initiative.

Section 3.14. Insurance. Section 3.14 of the Disclosure Schedules sets forth (a) a true and complete list of all current policies or binders of fire, liability, product liability, umbrella liability, real and personal property, workers' compensation, vehicular, fiduciary liability and other casualty and property insurance maintained by any of the Seller Parties or their respective

Affiliates and relating to the Business, TMS Sub, the Business Assets or the Assumed Liabilities (collectively, the "**Insurance Policies**"); (b) with respect to the Business, TMS Sub, the Business Assets or the Assumed Liabilities, a list of all pending claims and the claims history for each of the Seller Parties since January 1, 2011. There are no claims related to the Business, TMS Sub, the Business Assets or the Assumed Liabilities pending under any such Insurance Policies as to which coverage has been questioned, denied or disputed or in respect of which there is an outstanding reservation of rights. None of the Seller Parties or any of their respective Affiliates has received any written notice of cancellation of, premium increase with respect to, or alteration of coverage under, any of such Insurance Policies which action is based upon stated factors or considerations specific to the Business. All premiums due on such Insurance Policies have either been paid or, if not yet due, accrued. All such Insurance Policies (i) are in full force and effect and enforceable in accordance with their terms; (ii) to Seller's Knowledge are provided by carriers who are financially solvent; and (iii) have not been subject to any lapse in coverage. None of the Seller Parties or any of their respective Affiliates are in default under, or has otherwise failed to comply with, in any material respect, any provision contained in any such Insurance Policy. The Insurance Policies are of the type and in amounts customarily carried by Persons conducting a business similar to the Business and are sufficient for compliance with all applicable Laws and Contracts to which each of the Seller Parties is a party or by which it is bound. True and complete copies of the Insurance Policies have been made available to the Buyers.

Section 3.15. Legal Proceedings; Governmental Orders.

(a) There are no Actions pending or, to Seller's Knowledge, threatened against or by any of the Seller Parties or Actions that have been resolved (currently or at any time in the past three (3) years) (i) relating to or affecting the Business, TMS Sub, the Business Assets or the Assumed Liabilities; or (ii) that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. To Seller's Knowledge, no event has occurred that would be reasonably expected to give rise to, or serve as a basis for, any such Action.

(b) There are no outstanding Governmental Orders and no unsatisfied judgments, penalties or awards against, relating to or affecting the Business or TMS Sub. No formal investigation or review by any Government Authority with respect to the Business, the Business Assets or TMS Sub is pending for which any of the Seller Parties has been notified or, to Seller's Knowledge, threatened, nor has any Government Authority notified any of the Seller Parties of its intention to conduct the same.

Section 3.16. Compliance with Laws; Permits.

(a) Each of the Seller Parties has complied in all material respects, and is now complying in all material respects, with all Laws applicable to TMS Sub, the conduct of the Business as currently conducted and the ownership and use of the Business Assets. Neither of the Seller Parties has received written notice alleging any violations of Laws, and there is no outstanding or, to Seller's Knowledge, any threatened Governmental Orders relating to or affecting TMS Sub, the Business or the Business Assets.

(b) Section 3.16(b) of the Disclosure Schedules contains a true, correct and complete list of all Permits required for each of the Seller Parties to conduct the Business as currently conducted and required for the ownership and use of the Business Assets. Each of the Seller Parties has all Permits, and has made all notifications, registrations, certifications and filings with all Governmental Authorities, necessary to conduct the Business as currently conducted or for the ownership and use of the Business Assets as currently used. Each of the Seller Parties is in compliance in all material respects with all such Permits, and all such Permits are in full force and effect and sufficient for the services currently provided by each of the Seller Parties with respect to the Business as currently conducted and for the ownership and use of the Business Assets as currently used.

(c) With regards to the Permits listed in Section 3.16(b) of the Disclosure Schedules, neither of the Seller Parties has received written notice from any Governmental Authority, which remains outstanding, regarding any proposed modification, non-renewal, revocation, suspension or cancellation of any such Permits, and to the Knowledge of Seller, no event has occurred that, with or without notice or lapse of time or both, could reasonably be expected to result in the modification, non-renewal, revocation, suspension or cancellation of any such Permit. There is no action, case or proceeding pending or, to the Knowledge of Seller, threatened by any Governmental Authority with respect to (i) any alleged violation by any of the Seller Parties of any statute, Law, rule, regulation, code, ordinance, order, supplier standard, policy or guideline of any Governmental Authority; (ii) any alleged failure by any of the Seller Parties to have any Permit with respect to the Business as currently conducted or for the ownership and use of the Business Assets as currently used; or (iii) any revocation, cancellation, rescission, modification, or refusal to renew in the ordinary course, any of the Permits. No Permit has been revoked, cancelled, rescinded, modified or been subject to a refusal to renew. Each health care professional employed by or under contract with each of the Seller Parties holds a current and unrestricted professional license or certification from a Governmental Authority as is necessary to perform his/her duties, and there is no action to revoke, cancel, rescind, modify, refuse to renew any such professional license.

Section 3.17. Healthcare Regulatory Compliance.

(a) Each of the Seller Parties is currently and has been since January 1, 2011 (the "**Healthcare Period**") in compliance in all material respects with such Laws applicable to the conduct of the Business as currently conducted and the ownership and use of the Business Assets with respect to all rules, codes, regulations, ordinances, orders, policies and guidelines of all Governmental Authorities and rules of professional conduct ("**Governmental Requirements**"). No action has been filed or commenced or, to Seller's Knowledge, threatened, alleging any failure to comply with any Governmental Requirements. During the Healthcare Period, neither of the Seller Parities has received any written notice of, and to the Knowledge of Seller, there is not any, audit, survey or investigation pending, alleging any non-compliance with Governmental Requirements, except as set forth on Section 3.17(a) of the Disclosure Schedules.

(b) Neither of the Seller Parties has submitted, or caused to be submitted, any claim in connection with any referral to Seller which violated any applicable self-referral law, including 42 U.S.C. § 1395nn, as amended (Stark Act), or any applicable state self-referral law.

(c) Neither of the Seller Parties has submitted, or caused to be submitted, any claim for payment to any payor source, either governmental or non-governmental, in violation of any false claim or fraud law, including 31 U.S.C. § 3729, as amended and the administrative False Claims Law (42 U.S.C. § 1320a-7b(a) (collectively, the "**False Claims Acts**"), Social Security Act § 1834(a)(17) or any other applicable federal or state false claim or fraud law.

(d) None of the Seller Parties or any of their respective officers, directors or employees, or any agent acting on behalf of or for the benefit thereof, has directly or indirectly (i) offered or paid any illegal remuneration, in cash or in kind, to, or made any illegal financial arrangements with, any current or former customers, patients, suppliers, contractors or third party Payors (as defined below) of any of the Seller Parties in order to obtain business or referrals from such Persons; (ii) made or agreed to make, or is aware that there has been made or that there is any agreement to make, any contribution, payment or gift of funds or property to, or for the private use of, any governmental official, employee or agent where either the contribution, payment or gift is or was illegal under state or federal law; (iii) offered or transferred to a patient any remuneration that any of the Seller Parties knew or should have known would have been likely to influence the patient's selection of a particular provider, practitioner, or supplier, or (iv) paid or offered to pay any illegal remuneration for any referral to any of the Seller Parties or received or solicited any illegal remuneration to refer any client, patient or any other Person to a health care provider in violation in any material respect of any applicable law, including 42 U.S.C. § 1320a-7b(b), as amended (Federal Anti-Kickback Statute), the False Claims Acts, the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. § 1320d et seq.), as amended by the Health Information Technology for Economic and Clinical Health Act provisions contained in the American Recovery and Reinvestment Act of 2009, as amended (collectively, "**HIPAA**"), the exclusion law, Social Security Act § 1128 (42 U.S.C. 1320a-7), Social Security Act § 1128A, and any other applicable federal statute or fraud law, or any similar state or local statutes or regulations governing arrangements among providers, suppliers, patients and health care professionals or rules of professional conduct, relating to the regulation of any of the Seller Parties.

(e) None of the Seller Parties, or, to the Knowledge of Seller, any of their respective officers, directors employees or any agent acting on behalf of or for the benefit thereof, have been convicted of, charged with or investigated for a Medicare, Medicaid or federal or state health program related offense, or convicted of, charged with or investigated for a violation of federal or state law related to fraud, theft, embezzlement, breach of fiduciary responsibility, financial misconduct, obstruction of an investigation of controlled substances, or have been debarred, excluded or suspended from participation in Medicare, Medicaid or any other federal or state health program, as defined in 42 U.S.C. § 1320a-7b(f) ("**Federal Healthcare Program**"), or been subject to any order or consent decree of, or criminal or civil fine or penalty imposed by, any Governmental Authority. Neither of the Seller Parties has arranged or contracted with (by employment or otherwise) any individual or entity that any of the Seller Parties know or should know has been convicted of or pled guilty or nolo contendere to any federal or state criminal offense, been fired or subject to any disciplinary action under any state rules of professional conduct, or is excluded from participation in a Federal Healthcare Program for the provision of items or services for which payment may be made under such Federal Healthcare Program. No exclusion, suspension, or debarment claims, actions, proceedings or investigations relating to any of the Seller Parties or the Business Assets is pending or, to the Knowledge of Seller, is threatened against any of the Seller Parties, nor any of its respective officers, directors, equity holders, employees or agents acting on their behalf of or for its benefit.

(f) To the Knowledge of Seller, there is no proposed material change in any applicable Law which would require any of the Seller Parties to (i) obtain any Permits not set forth in Section 3.17(f) of the Disclosure Schedules, or (ii) make any changes in the conduct of the Business of Seller as presently conducted or with respect to any of the Seller Parties' ownership and use of the Business Assets. Neither of the Seller Parties has received any written opinion, memorandum or advice from any Person to the effect that they are exposed to any liability or disadvantage including any proposed law that could materially prohibit or materially restrict any of the Seller Parties from, or otherwise affect any of Seller Parties in, conducting the Business in any jurisdiction in which it is now conducting the Business or in which it plans to conduct the Business, or in its ownership and use of the Business Assets. Neither of the Seller Parties is currently, nor has ever been, a party or subject to the terms of a corporate integrity agreement required by the Office of Inspector General of the Department of Health and Human Services or similar agreement (including nonprosecution agreement) or consent order of any other Governmental Authority.

(g) Each of the Seller Parties maintains a compliance program, true and correct copies of which have been made available to the Buyers. During the Healthcare Period, each of the Seller Parties has been in material compliance with its compliance program. Each of the Seller Parties promptly and duly investigates any reports of alleged compliance violations, conducts internal audits and takes corrective action, including timely repayment of any overpayments, and there are no material compliance problems. Except as set forth on Section 3.17(g) of the Disclosure Schedules, neither of the Seller Parties (i) is the subject of any government or nongovernmental Payor program audit or investigation and, to the Knowledge of Seller, there is no such audit or investigation threatened by any Governmental Authority or nongovernmental Payor; (ii) has been a defendant in any qui tam/False Claims Act litigation; and (iii) has been served with or received any search warrant, subpoena, or civil investigative demand from any Governmental Authority.

(h) Each of the Seller Parties has obtained and maintained all supplier agreements, certifications, and authorizations required from any Governmental Authority and nongovernmental payor, or any entity acting on behalf of such Governmental Authority or nongovernmental payor, private insurer, health maintenance organization, preferred provider organization, other prepaid plan, health care service plan or other third party payor, under any applicable law (collectively, "**Payors**") and has obtained and maintained eligibility and good standing for reimbursement from such Payor. There is no proceeding pending or, to the Knowledge of Seller, threatened by any Governmental Authority or nongovernmental Payor with respect to (i) any alleged violation by any of the Seller Parties of any applicable law, order, policy or guideline of any Governmental Authority or nongovernmental Payor involving or relating to participation in any such Payor's reimbursement program or eligibility to receive payment, or (ii) any revocation, cancellation, rescission, modification, or refusal to renew any agreements, certifications, or authorization of any Payor. During the Healthcare Period, no Payor agreement has been revoked, cancelled, terminated, rescinded, modified or been subject to a refusal to renew. Each of the Seller Parties has submitted claims in conformance with applicable Law and Payor contracts, policies and procedures, and paid or made provision to pay any

overpayment received from any Payor and any similar obligation with respect to reimbursement programs in which each of the Seller Parties participates (each of which is reflected in the Financial Statements), except to the extent any of the Seller Parties has sought to appeal such overpayment and which is disclosed on Section 3.17(h) of the Disclosure Schedules, and each of the Seller Parties has not submitted claims for payment, or received reimbursement, in excess of the amounts provided by applicable Law that has not been repaid to the applicable Payor.

(i) None of the Seller Parties, or, to the Knowledge of Seller, any of their respective officers, directors employees or any agent acting on behalf of or for the benefit thereof, have made any prohibited communication to a Medicare beneficiary regarding the furnishing of products or services, including the prohibited communications set forth in Social Security Act § 1834(a)(17).

(j) Each of the Seller Parties is in compliance with the applicable privacy, security, transaction standards, breach notification, and other provisions and requirements of HIPAA, the Health Information Technology for Economic and Clinical Health Act (HITECH), and any comparable state law. Neither of the Seller Parties has received any written (or, to the Knowledge of Seller, oral) communication from any Governmental Authority that alleges that any of the Seller Parties is not in compliance with the applicable privacy, security, transaction standards, breach notification and other provisions and requirements of HIPAA or any comparable state laws.

(k) Neither of the Seller Parties has received any written (or, to the Knowledge of Seller, oral) complaints, or notices of inquiry or investigation, from any Person, patient, client or customer regarding its or any of its agents, employees or contractors' uses or disclosures of, or security practices regarding, individually identifiable health information or other medical or personal information.

(l) Each of the Seller Parties has policies, procedures and systems in place to ensure the privacy and security of all business, proprietary, individually identifiable, personal, medical and any other private information, in compliance with applicable law. In addition, each of the Seller Parties has adequate policies, procedures and systems in place to prevent improper use or disclosure of, or access to, all business, proprietary, individually identifiable, personal, medical and any other private information. No breach has occurred with respect to any unsecured protected health information maintained by or for any of the Seller Parties that is subject to the notification requirements of 45 C.F.R. §§ 164.406 or 164.408(b), and no information security or privacy breach event has occurred that would require notification under any comparable applicable law.

(m) Each of the Seller Parties has conducted the business in compliance with the HIPAA regulations governing electronic transactions (45 C.F.R. Parts 160 and 162, Subparts I through R) and unique identifiers (45 Parts 160 and 162, Subparts D and F).

(n) None of the Seller Parties, or any of their Representatives, or, to the Knowledge of Seller, any other any Person acting on behalf of any of the Seller Parties, have (i) made, paid or received any unlawful bribes, kickbacks or other similar payments to or from any Person (including any customer or supplier) or Governmental Authority; (ii) made or paid any contributions, directly or indirectly, to a domestic or foreign political party or candidate; or (iii) made or paid any improper payment to a foreign government official (as defined in the U.S. Foreign Corrupt Practices Act).

Section 3.18. Environmental Matters.

(a) The operations each of the Seller Parties with respect to the Business and the Business Assets are currently and have been in compliance with all Environmental Laws. Neither of the Seller Parties, with respect to the Business or the Business Assets, has received from any Person, any: (i) Environmental Notice or Environmental Claim; or (ii) written request for information pursuant to Environmental Law, which, in each case, either remains pending or unresolved, or is the source of ongoing obligations or requirements as of the Closing Date.

(b) Each of the Seller Parties has obtained and is in material compliance with all material Environmental Permits (each of which is disclosed in Section 3.18(b) of the Disclosure Schedules) necessary for the conduct of the Business as currently conducted or the ownership, lease, operation or use of the Business Assets as currently conducted and all such Environmental Permits are in full force and effect and shall be maintained in full force and effect by each of the Seller Parties through the Closing Date in accordance with Environmental Law. Neither of the Seller Parties is aware of any condition, event or circumstance pertaining to the Seller Parties' compliance with Environmental Law that would be reasonably likely to prevent or impede, after the Closing Date, the conduct of the Business as currently conducted, or the ownership, lease, operation or use of the Business Assets as currently conducted. With respect to any such Environmental Permits that are transferable, each of the Seller Parties has undertaken, or will undertake prior to the Closing Date, commercially reasonable measures to facilitate transferability of the same, and neither of the Seller Parties is aware of any condition, event or circumstance that would be reasonably likely to prevent or impede the transferability of the same, and has not received any Environmental Notice or written communication regarding any material adverse change in the status or terms and conditions of the same.

(c) Neither of the Seller Parties has retained or assumed, by contract or by operation of Law, any liabilities or obligations of third parties under Environmental Law.

Section 3.19. Employee Benefit Matters.

(a) Section 3.19(a) of the Disclosure Schedules contains a true and complete list of each benefit, retirement, employment, compensation, incentive, stock option, restricted stock, stock appreciation right, phantom equity, change in control, severance, vacation, paid time off, medical, dental, disability, life, fringe-benefit and other similar agreement, plan, policy, program and other arrangement (and any amendments thereto), whether or not reduced to writing, whether or not an "employee benefit plan" subject to ERISA, in effect which pertains to any employees, former employees, directors, officers or consultants of Seller or any ERISA Affiliate and is maintained, sponsored, contributed to, or required to be contributed to by Seller or any ERISA Affiliate, or under which Seller or any ERISA Affiliate has or may have any liability actual, contingent or otherwise, including any such plan or arrangement formerly maintained, sponsored, contributed to, or required to be contributed to by Seller or any such ERISA Affiliate within the past six (6) years (as listed on Section 3.19(a) of the Disclosure Schedules, each, a "**Benefit Plan**").

(b) Seller has made available to the Buyers true and complete copies of the following materials: (i) the current plan document, including any amendments thereto, for each Benefit Plan, or in the case of an unwritten Benefit Plan, a written description of the material terms of such Benefit Plan; (ii) any trust instruments and insurance contracts forming a part of any Benefit Plan and all amendments thereto; (iii) summary plan descriptions and summary of material modifications; (iv) Internal Revenue Service Form 5500 (for the three (3) most recently completed plan years); (v) the most recent Internal Revenue Service determination, opinion, notification and advisory letters; (vi) the most recent actuarial report or other financial statement relating to such Benefit Plan; (vii) the coverage and non-discrimination testing results for the three (3) most recent plan years for each of the Benefit Plans, as applicable; and (viii) all material correspondence within the past three (3) years with the Internal Revenue Service, the Department of Labor or any other Governmental Authority regarding the operation or administration of any Benefit Plan. In addition, any annual and periodic accounting and employee and participant disclosures pertaining to the Benefit Plans have been made available to the Buyers.

(c) No Benefit Plan provides and Seller has not proposed or promised any arrangement that provides for any liability to provide life insurance, medical or other employee welfare benefits to any Employee or former employee of the Business, or any of their affiliates, upon his or her retirement or termination of employment for any reason, except as may be required by Law (including the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended).

(d) Each Benefit Plan has been established, maintained, operated, administered and funded, in all material respects, in compliance with its terms and all applicable Laws (including ERISA and the Code and the regulations promulgated thereunder). Each Benefit Plan that is intended to be qualified under Section 401(a) of the Code (a "**Qualified Benefit Plan**") has received a favorable and current determination letter from the Internal Revenue Service, or with respect to a prototype plan, can rely on an opinion letter from the Internal Revenue Service to the prototype plan sponsor, to the effect that such Qualified Benefit Plan is so qualified and that the plan and the trust related thereto are exempt from federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, and nothing has occurred that could reasonably be expected to cause the revocation of such determination letter from the Internal Revenue Service or the unavailability of reliance on such opinion letter from the Internal Revenue Service, as applicable. Nothing has occurred with respect to any Benefit Plan that has subjected or could reasonably be expected to subject any of the Seller Parties or, with respect to any period on or after the Closing Date, the Buyers, to a penalty under Section 502 of ERISA or to an excise tax under the Code. All benefits, contributions and premiums relating to each Benefit Plan have been timely paid in accordance with the terms of such Benefit Plan, the terms of all applicable Laws and the accounting principles. With respect to any Benefit Plan, no event has occurred or is reasonably expected to occur that has resulted in or would subject any of the Seller Parties or, with respect to any period on or after the Closing Date, the Buyers or any of their respective Affiliates, to a Tax under Section 4971 of the Code or the assets of any of the foregoing Persons to a lien under Section 412(n) of the Code. No Qualified Benefit Plan has been submitted under or been the subject of an Internal Revenue Service voluntary compliance program submission. With respect to any Benefit Plan, there are no pending or threatened actions, suits, claims or other proceedings against any such Benefit Plan (other than routine claims for benefits).

(e) Neither Seller nor any of its ERISA Affiliates sponsor, maintain, administer or contribute to, or have ever sponsored, maintained, administered or contributed to, or have had or could have had any liability (including liability under Subtitle C or D of Title IV of ERISA) to any (i) plan subject to Section 412 of the Code or Title IV of ERISA; (ii) "multiemployer plan" (as defined in Section 3(37) of ERISA); (iii) multiemployer plan under Subtitle E of Title IV of ERISA; (iv) "multiple employer welfare arrangement" (as defined in Section 3(40) of ERISA); (v) tax-qualified "defined benefit plan" (as defined in Section 3(35) of ERISA; or (vi) self-insured group health plan.

(f) No Employee is, or at any time will become, entitled to any payment, benefit or right, or any increased or accelerated payment, benefit or right, or any payment of any amount under any Benefit Plan that could individually or in combination with any other such payment constitute an "excess parachute payment" as defined in Section 280G(b)(1) of the Code or fail to be deductible by reason of Section 162 or 404 of the Code, as a result of the execution of this Agreement or the consummation of the transactions contemplated hereby.

(g) There is no pending or, to Seller's Knowledge, threatened action actions, suits, claims or other proceedings against any Benefit Plan (other than routine claims for benefits). No Benefit Plan has within the four (4) years prior to the date hereof been the subject of an examination or audit by a Governmental Authority or is the subject of an application or filing under, or is a participant in, an amnesty, voluntary compliance, self-correction or similar program sponsored by any Governmental Authority.

(h) Neither Seller nor any of its ERISA Affiliates has any commitment or obligation or has made any representations to any Employee, whether or not legally binding, to adopt, amend or modify any Benefit Plan or any collective bargaining agreement.

(i) All Benefit Plans that are group health plans have been operated in compliance in all material respects with the group health plan continuation requirements of Section 4980B of the Code and the other applicable sections of ERISA and the Code. Seller may amend or terminate any such Benefit Plan at any time without incurring any material liability thereunder for future benefits coverage at any time after such termination, except for (i) as may be required by Law; (ii) the payment of benefits, fees or charges accrued or incurred through the date of termination; and (iii) the payment of administrative expenses associated with such amendment or termination.

(j) Each Benefit Plan that is a "nonqualified deferred compensation plan" subject to Section 409A of the Code has been operated and administered in compliance with Section 409A of the Code, has been in documentary compliance in all respects with the applicable provisions of Section 409A of the Code, and no payment to be made under any Benefit Plan is or will be subject to the penalties of Section 409A(a)(1) of the Code. None of the Seller Parties or any of its respective Affiliates has agreed to reimburse or indemnify any participant in a Benefit Plan for any additional Tax (or potential Taxes) imposed (or potentially imposed) under Section 409A of the Code or Section 4999 of the Code.

Section 3.20. Employment Matters.

(a) Section 3.20(a) of the Disclosure Schedules contains a list of all persons who are employees, consultants, or contractors of the Business, as of the date hereof, and sets forth for each such individual the following: (i) name; (ii) title or position (including whether full or part time); (iii) hire date; (iv) current annual base compensation rate; (v) commission, bonus or other incentive-based compensation; and (vi) a description of the material fringe benefits provided to each such individual as of the date hereof. Except as set forth in Section 3.20(a) of the Disclosure Schedules, as of the date hereof, all commissions and bonuses payable to Employees, consultants, or contractors of the Business for services performed on or prior to the date hereof have been paid in full and there are no outstanding agreements, understandings or commitments of any of the Seller Parties with respect to any commissions, bonuses or increases in compensation.

(b) Neither of the Seller Parties is a party to, or bound by, any collective bargaining or other Contract with a labor organization representing any of its Employees, and there are no labor organizations representing or, to Seller's Knowledge, purporting to represent or attempting to represent any Employee. There has never been, nor to Seller's Knowledge has there been any threat of, any strike, slowdown, work stoppage, lockout, concerted refusal to work overtime or other similar labor activity or dispute affecting any of the Seller Parties or any of the Employees.

(c) Each of the Seller Parties is and has been in compliance in all material respects with all applicable Laws pertaining to employment and employment practices to the extent they relate to the Employees, including all Laws relating to labor relations, equal employment opportunities, fair employment practices, employment discrimination, harassment, retaliation, reasonable accommodation, disability rights or benefits, immigration, wages, hours, overtime compensation, child labor, health and safety, workers' compensation, leaves of absence and unemployment insurance. All individuals characterized and treated by any of the Seller Parties as consultants or contractors of the Business are properly treated as independent contractors under all applicable Laws. There are no Actions against any of the Seller Parties pending, or to Seller's Knowledge, threatened to be brought or filed, by or with any Governmental Authority or arbitrator in connection with the employment of any current or former employee, consultant or independent contractor of the Business, including, without limitation, any claim relating to unfair labor practices, employment discrimination, harassment, retaliation, equal pay or any other employment related matter arising under applicable Laws.

(d) Each of the Seller Parties has complied in all material respects with the WARN Act and it has no plans to undertake any action in the future that would trigger the WARN Act.

Section 3.21. Taxes. Except as set forth in Section 3.21 of the Disclosure Schedules:

(a) Each of the Seller Parties has (i) timely filed all Tax Returns required to be filed by it, and all such Tax Returns have been properly completed in compliance with all applicable Laws, and are true, correct and complete in all material respects; and (ii) timely paid (A) all Taxes shown to be due and payable on such Tax Returns and (B) all other Taxes due and payable.

(b) Seller does not have any liability for the Taxes of any third person with respect to the Purchased Assets as a transferee or successor, by contract (other than customary commercial contracts the principal purpose of which is not related to Taxes) or otherwise.

(c) Each of the Seller Parties has, in all material respects, timely withheld and paid over to the appropriate Taxing Authority all Taxes which it is required to withhold from amounts paid or owing to any Employee, independent contractor, creditor, customer, shareholder or other party, and each of the Seller Parties has complied with all information reporting (including Internal Revenue Service Form 1099) and backup withholding requirements, including maintenance of required records with respect thereto.

(d) No extensions or waivers of statutes of limitations have been given or requested with respect to any Taxes of any of the Seller Parties.

(e) There are no (i) pending or threatened claims, audits or Actions by any Taxing Authority with respect to Taxes or Tax Returns of any of the Seller Parties or with respect to the Purchased Assets; and (ii) proposed deficiencies or deficiencies for any Tax, claim for additional Taxes, or other dispute or claim relating or attributable to any Tax liability of any of the Seller Parties or related to the Purchased Assets claimed, issued or raised by any Taxing Authority. All deficiencies asserted or threatened, or assessments made, against any of the Seller Parties or relating to the Purchased Assets as a result of any examinations by any Taxing Authority have been fully paid.

(f) Seller is not a "foreign person" as that term is used in Treasury Regulations Section 1.1445-2.

(g) TMS Sub will not be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any period ending after the Closing Date as a result of any: (i) change in method of accounting for any period beginning on or prior to the Closing Date pursuant to Section 481 of the Code (or any similar provision of state, local or foreign Law); (ii) use of an improper method of accounting for a taxable period ending on or prior to the Closing Date; (iii) "closing agreement" as described in Section 7121 of the Code (or any similar provision of state, local or foreign Law) executed on or prior to the Closing Date; (iv) intercompany transactions or excess loss accounts described in Treasury Regulation Section 1.1502-13, or 1.1502-19 or otherwise pursuant to Treasury Regulations under Section 1502 of the Code (or any corresponding or similar provisions of U.S. state, local or non-U.S. Income Tax Law); (v) installment sale or open transaction disposition made on or prior to the Closing Date; (vi) method of accounting that defers the recognition of income to any period ending after the Closing Date, or (viii) election made under Section 108(i) of the Code prior to the Closing Date.

(h) TMS Sub (i) is not a party to, is not bound by, and it does not have any obligation under, any Tax sharing, allocation, indemnification or similar agreement, or (ii) has no liability or obligation for Taxes or otherwise to any Person as a result of, or pursuant to, any such Tax sharing, allocation, indemnification or similar agreement.

(i) TMS Sub is not a party to, is not bound by, and it does not have any obligation under, any closing or similar agreement, Tax abatement or similar agreement or any other agreements with any Taxing Authority with respect to any period for which the statute of limitations has not expired.

(j) No power of attorney related or attributable to Taxes that currently is in effect has been granted by TMS Sub.

(k) TMS Sub has not distributed stock of another Person, or had its stock distributed by another Person in a transaction intended or purported to be governed, in whole or in part, by Section 355 of the Code or Section 361 of the Code.

(l) Neither of the Seller Parties is a party to or has participated in a "reportable transaction," within the meaning of Treasury Regulations Sections 1.6011-4(b)(1).

(m) TMS Sub does not have any liability for the Taxes of any Person (other than Seller) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law), as a transferee, successor or as a result of similar liability, operation of Law, by contract or otherwise. TMS Sub has not been included in any "consolidated", "unitary", "combined" or similar" Tax Return (other than a Tax Return filed by a group, the parent of which is Seller) provided for under the United States or any non-U.S. jurisdiction or any state.

Section 3.22. Brokers. Except as set forth in Section 3.22 of the Disclosure Schedules, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any Transaction Document based upon arrangements made by or on behalf of any of the Seller Parties.

Section 3.23. Warranties. All services rendered by each of the Seller Parties in connection with the Business have been in conformity in all material respects with all applicable contractual commitments and all express warranties and any implied warranties applicable under Law and not disclaimed, and neither of the Seller Parties has any material liability for replacement or repair thereof or curing or providing additional services or other damages in connection therewith in excess of any warranty reserve specifically established with respect thereto and included on the books of any of the Seller Parties. No services rendered by any of the Seller Parties in connection with the Business are subject to any guaranty, warranty or other indemnity beyond the applicable standard terms and conditions of such service and any implied warranties applicable under Law (including as a result of any course of conduct between any of the Seller Parties and any Person or as a result of any statements in any of the Seller Parties' product, service or promotional literature). Neither of the Seller Parties has received any written notice of any material claims relating to any of its services relating to the Business, and to Seller's Knowledge, no such claim has been threatened.

Section 3.24. Affiliated Transactions. No Affiliate of any of the Seller Parties, no Related Party of any of the Seller Parties and no individual related by blood, marriage or adoption to any such individual Affiliate or any entity in which any such individual owns any beneficial interest, is a party or has been a party to any agreement, contract, commitment or transaction with the Business or the Employees, other than employment arrangements, or has any interest in any property used by the Business.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE BUYERS

Each of the Buyers, jointly and severally, represent and warrant to Seller that the statements contained in this Article IV are true and correct as of the date hereof.

Section 4.01. Organization of the Buyers. Each of the Buyers is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware.

Section 4.02. Authority of the Buyers. Each of the Buyers has full power and authority to enter into this Agreement and the Transaction Documents to which it is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by each of the Buyers of this Agreement and any Transaction Document to which such Buyer is a party, the performance by such Buyer of its obligations hereunder and thereunder and the consummation by such Buyer of the transactions contemplated hereby and thereby have been duly authorized by all requisite action on the part of each of the Buyers. This Agreement has been duly executed and delivered by each of the Buyers, and (assuming due authorization, execution and delivery by each other party hereto) this Agreement constitutes a legal, valid and binding obligation of the Buyers enforceable against the Buyers in accordance with its terms. When each Transaction Document to which each of the Buyers is a party has been duly executed and delivered by each of the Buyers (assuming due authorization, execution and delivery by each other party thereto), such Transaction Document will constitute a legal and binding obligation of such Buyer enforceable against it in accordance with its terms.

Section 4.03. No Conflicts; Consents. The execution, delivery and performance by each of the Buyers of this Agreement and the Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the certificate of formation, operating agreement or other organizational documents of any of the Buyers; (b) conflict with or result in a violation or breach of any provision of any Law or violation or breach of any Governmental Order applicable to any of the Buyers; or (c) require the consent, notice or other action by any Person under any Contract to which any of the Buyers is a party. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to any of the Buyers in connection with the execution and delivery of this Agreement and the Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

Section 4.04. Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any Transaction Document based upon arrangements made by or on behalf of any of the Buyers. For the avoidance of doubt, Seller shall be solely responsible, and the Buyers shall have no obligations whatsoever for, any fee or commission or other amounts payable to the Persons set forth on Section 3.22 of the Disclosure Schedules.

Section 4.05. Sufficiency of Funds. The Buyers have sufficient cash on hand or other sources of immediately available funds to enable it to make payment of the Purchase Price and consummate the transactions contemplated by this Agreement.

Section 4.06. Legal Proceedings. There are no Actions pending or, to the knowledge of the Buyers, threatened against or by any of the Buyers or any of their respective Affiliates that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise or serve as a basis for any such Action.

ARTICLE V
COVENANTS

Section 5.01. Assignment of Purchased Assets.

(a) Notwithstanding anything to the contrary in this Agreement, and subject to the provisions of this Section 5.01, to the extent that the assignment or attempted assignment to Assets Buyer of any Purchased Asset would require the consent, authorization, approval or waiver of a third party thereto (including any Governmental Authority) or an Affiliate of a party to this Agreement, and such consent, authorization, approval or waiver shall not have been obtained prior to the Closing, this Agreement shall not constitute an assignment, or an attempted assignment, thereof; *provided*, *however*, that the Closing shall occur, notwithstanding the foregoing, without any adjustment to the Purchase Price on account thereof. Following the Closing, Seller and Assets Buyer shall use reasonable best efforts, and shall cooperate with each other, to obtain any such required consent, authorization, approval or waiver so that such Purchased Asset is properly assigned to Assets Buyer; *provided*, *however*, that neither Seller nor Assets Buyer shall be required to pay any consideration therefor;

(b) Unless and until such consent, authorization, approval or waiver is obtained, or if an attempted assignment thereof would be ineffective or would materially adversely affect the rights of Seller thereunder so that Assets Buyer would not in fact receive all rights under such Purchased Asset, then (i) Seller or its applicable Affiliate (other than TMS Sub) shall continue to hold title or leasehold interest in and/or be bound by such Purchased Asset and (ii) unless not permitted by the terms thereof or applicable Laws, Assets Buyer shall, as agent or subcontractor for Seller or its applicable Affiliate (other than TMS Sub), pay, perform and discharge fully, or cause to be paid, transferred or discharged all the obligations or other Liabilities of Seller or the applicable Affiliate (other than TMS Sub) under such Purchased Asset arising solely from and after the Closing Date (except to the extent expressly otherwise provided herein or in the Transaction Documents). Seller shall, without further consideration, pay and remit, or cause to be paid or remitted, to Assets Buyer promptly all money, rights and other consideration received by Seller or its applicable Affiliate (other than TMS Sub) in respect of such performance to the extent related to such Purchased Asset. To the extent Assets Buyer cannot act as agent or subcontractor as provided in this Section 5.01(b), Assets Buyer and Seller shall use reasonable best efforts to enter into, or cause to be entered into such arrangements, such as subleasing, sublicensing or subcontracting, to provide to the parties hereto the economic, and to the extent permitted under applicable Laws, operational equivalent of the assignment of such Purchased Asset to Assets Buyer as of the Closing and the performance by Assets Buyer of its obligations with respect thereto.

(c) If and when any such consent, authorization, approval or waiver shall be obtained or such Purchased Asset shall otherwise become assignable, Seller shall, or shall cause its Affiliates to, promptly assign all of such rights, obligations and other Liabilities of Seller or its applicable Affiliate (other than TMS Sub) under such Purchased Asset to Assets Buyer without receipt of further consideration, and Assets Buyer shall, without the payment of any further consideration, assume the rights, obligations and other Liabilities under such Purchased Asset arising solely from and after the Closing Date (except to the extent expressly otherwise provided herein or in the Transaction Documents).

Section 5.02. Employees and Employee Benefits.

(a) Commencing on the Closing Date, Seller shall, and shall cause TMS Sub to, terminate the employment of those Persons employed by each of the Seller Parties in connection with the Business immediately prior to the Closing as set forth in Section 5.02(a) of the Disclosure Schedules (the "**Employees**"), and Shares Buyer agrees to offer employment on an "at will" basis, to all such Employees effective on and as of the Closing Date.

(b) Except as specifically included as an Assumed Liability under Section 1.04, Seller shall be solely responsible, and the Buyers shall have no obligations whatsoever, for any compensation, benefits and/or other amounts payable to any Employee, former employee or other service provider of Seller, including hourly pay, commission, bonus, salary, accrued vacation, fringe, pension or profit sharing benefits, and/or severance pay payable to any Employee, former employee or other service provider of any of the Seller Parties for any period relating to the service with any of the Seller Parties at any time prior to the Closing Date and Seller shall, or shall cause its Affiliates to, pay all such amounts to all entitled Employees or other service providers on or prior to the Closing Date.

(c) Seller shall remain solely responsible for the satisfaction of all claims for medical, dental, life insurance, health accident or disability benefits brought by or in respect of Employees (or former employees) or agents of Seller which claims relate to events occurring prior to the Closing Date. Seller also shall remain solely responsible for all worker's compensation claims of any Employees (or former employees) or agents of Seller which relate to events occurring prior to the Closing Date. Seller shall pay, or cause to be paid, all such amounts to the appropriate persons as and when due.

(d) Seller shall be solely responsible for providing continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and the regulations promulgated thereunder to those individuals who are M&A qualified beneficiaries (as defined in Treasury Regulation Section 54.4980B-9, Q&A-4(b)) with respect to the transaction contemplated by this Agreement.]

Section 5.03. Confidentiality. From and after the Closing, Seller shall, and shall cause its Affiliates (other than TMS Sub) that are controlled by Seller to, and shall use its reasonable best efforts to cause its or their respective Representatives to, hold in confidence any and all information, whether written or oral, concerning the Business, except to the extent that such information (a) is generally available to and known by the public through no breach of this Section 5.03 by Seller, any of its Affiliates (other than TMS Sub), or their respective Representatives; or (b) is lawfully acquired by Seller, any of its Affiliates (other than TMS Sub), or their respective Representatives from and after the Closing from sources which are not prohibited from disclosing such information by a legal, contractual or fiduciary obligation. If Seller, any of its Affiliates (other than TMS Sub), or their respective Representatives are compelled to disclose any information by judicial or administrative process or by other requirements of Law, to the extent legally permissible Seller shall promptly notify the Buyers in writing and shall disclose only that portion of such information which Seller is advised by its counsel is legally required to be disclosed; *provided that*, if requested by the Buyers, Seller shall use commercially reasonable efforts, at the Buyers' expense, to obtain an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such information.

Section 5.04. Non-competition; Non-solicitation

(a) For a period of three (3) years commencing on the Closing Date (the "**Restricted Period**"), Seller shall not, and shall not permit any of its Affiliates (other than TMS Sub) that are controlled by Seller to directly or indirectly, (i) engage in or assist others in engaging in the Business; (ii) have an ownership interest in any Person that engages in the Business in any capacity, including as a partner, shareholder, member, employee, principal, agent, trustee or consultant; or (iii) cause, induce or encourage any material client, payor, customer, supplier or licensor of the Business (including any existing or former client or customer of Seller), or any other Person who has a material business relationship with the Business, to terminate or modify any such actual or prospective relationship. Notwithstanding the foregoing, Seller and its Affiliates (other than TMS Sub) that are controlled by Seller may own, directly or indirectly, solely as an investment, securities of any Person traded on any national securities exchange if it is not a controlling Person of, or a member of a group which controls, such Person and does not, directly or indirectly, own 5% or more of any class of securities of such Person.

(b) During the period commencing on the date hereof and ending on the last day of the Restricted Period, Seller shall not, and shall not permit any of its Affiliates (other than TMS Sub) that are controlled by Seller to, directly or indirectly, hire or solicit any person who is offered employment by Shares Buyer pursuant to Section 5.02(a) or is (or was) employed in the Business during the Restricted Period, or encourage any such employee to leave such employment or hire any such employee who has left such employment, except pursuant to a general solicitation which is not directed specifically to any such employees; *provided that,* nothing in this Section 5.04(b) shall prevent Seller or any of its Affiliates (other than TMS Sub) from hiring after one (1) year from the date of termination of employment, any employee who has elected to terminate such employee's employment with Shares Buyer for any reason.

(c) If Seller or any of its Affiliates (other than TMS Sub) that are controlled by Seller breaches any of the provisions of this Section 5.04, the Buyers shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Buyers under law or in equity:

(i) the right and remedy to have such provision specifically enforced by any court having jurisdiction, it being acknowledged and agreed that any such breach may cause irreparable injury to the Buyers and that money damages may not provide an adequate remedy to the Buyers; and

(ii) the right and remedy to recover from Seller, as applicable, all monetary damages suffered by the Buyers as the result of any acts or omissions constituting a breach of this Section 5.04.

(d) Seller acknowledges that the restrictions contained in this Section 5.04 are reasonable and necessary to protect the legitimate interests of the Buyers and constitute a material inducement to the Buyers to enter into this Agreement and consummate the transactions contemplated by this Agreement. In the event that any covenant contained in this Section 5.04 should ever be adjudicated to exceed the time, geographic, product or service or other limitations permitted by applicable Law in any jurisdiction, then any court is expressly empowered to reform such covenant, and such covenant shall be deemed reformed, in such jurisdiction to the maximum time, geographic, product or service or other limitations permitted by applicable Law. The covenants contained in this Section 5.04 and each provision hereof are severable and distinct covenants and provisions. The invalidity or unenforceability of any such covenant or provision as written shall not invalidate or render unenforceable the remaining covenants or provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenant or provision in any other jurisdiction.

Section 5.05. Books and Records.

(a) In order to facilitate the resolution of any claims made by or against or incurred by Seller prior to the Closing, or for any other reasonable purpose, for a period of three (3) years after the Closing, the Buyers shall:

(i) retain the Books and Records (including personnel files) or cause to be retained, relating to periods prior to the Closing in a manner reasonably consistent with the prior practices of Seller; and

(ii) upon reasonable notice, afford, or cause to be afforded, Seller's Representatives reasonable access (including the right to make, at Seller's expense, photocopies), during normal business hours, to such Books and Records.

(b) In order to facilitate the resolution of any claims made by or against or incurred by the Buyers after the Closing, or for any other reasonable purpose, for a period of three (3) years following the Closing, Seller shall:

(i) retain the books and records (including personnel files) of Seller which relate to the Business and its operations for periods prior to the Closing; and

(ii) upon reasonable notice, afford Buyers' Representatives reasonable access (including the right to make, at Buyers' expense, photocopies), during normal business hours, to such books and records.

(c) None of the Buyers or Seller shall be obligated to provide the other party with access to any books or records (including personnel files) pursuant to this Section 5.05 where such access would violate any Law.

Section 5.06. Public Announcements. Seller shall not make, or permit any Representative or Affiliate that is controlled by Seller to make, any public statements or otherwise communicate with any news media, including the issuance of any press releases, with respect to this Agreement, the Transaction Documents or the transactions contemplated hereby or thereby without the prior written consent of the Buyers (which consent shall not be unreasonably withheld or delayed), unless otherwise required by applicable Law or Governmental Order, in which case Seller shall allow the Buyers reasonable time to comment on such release or announcement in advance of such issuance. The Buyers and Seller acknowledge and agree that, following the Closing, the Buyers, in their sole discretion, may make a customary public announcement, consistent with the Buyers' past practice, regarding consummation of the transactions contemplated hereby.

Section 5.07. Bulk Sales Laws. The parties hereby waive compliance with the provisions of any bulk sales, bulk transfer or similar Laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Purchased Assets to Assets Buyer; it being understood that any Liabilities arising out of the failure of Seller to comply with the requirements and provisions of any bulk sales, bulk transfer or similar Laws of any jurisdiction which would not otherwise constitute Assumed Liabilities shall be treated as Excluded Liabilities.

Section 5.08. Taxes.

(a) Cooperation. Seller and the Buyers shall reasonably cooperate, and shall cause their respective Affiliates, officers, employees, agents, auditors and representatives reasonably to cooperate, in preparing and filing all Tax Returns of TMS Sub relating to any Pre-Closing Period or Straddle Period or with respect to the Purchased Assets, including maintaining and making available to each other all records necessary in connection with Taxes of TMS Sub relating to any Pre-Closing Period or Straddle Period or with respect to the Purchased Assets, and in resolving all disputes and audits with respect to all such Pre-Closing Periods and Straddle Periods or with respect to the Purchased Assets.

(b) Preparation and Filing of Tax Returns of TMS Sub for Pre-Closing Tax Periods. Seller shall, at Seller's cost and expense, prepare, or cause to be prepared all Pre-Closing Period Tax Returns required to be filed by or on behalf of TMS Sub. All such Pre-Closing Period Tax Returns shall be prepared and filed in a manner that is consistent with the prior practice of TMS Sub, except as required by applicable Law or contemplated by this Agreement. Seller shall deliver, or cause to be delivered, a draft of each such Pre-Closing Period Tax Return to the Buyers for their review at least thirty (30) days prior to the Due Date of any such Pre-Closing Period Tax Return; *provided*, *however*, that such draft of any such Pre-Closing Period Tax Return shall be subject to the Buyers' review and approval, which shall not be unreasonably withheld, conditioned or delayed. If the Buyers dispute any item on such Pre-Closing Period Tax Return, the Buyers shall notify Seller (by written notice within fifteen (15) days of receipt of such draft of such Pre-Closing Period Tax Return) of such disputed item (or items) and the basis for its objection. If the Buyers do not object by written notice within such period, the amount of

Taxes shown to be due and payable on such Pre-Closing Period Tax Return shall be deemed to be accepted and agreed upon, and final and conclusive, for purposes of this Section 5.08(b). The Buyers and Seller shall act in good faith to resolve any dispute prior to the Due Date of any such Pre-Closing Period Tax Return. If the Buyers and Seller cannot resolve any disputed item, the item in question shall be resolved by the Independent Accountant (in accordance with the principles of Section 1.07(b)). Seller shall timely file all such Pre-Closing Period Tax Returns; *provided*, *however*, if any such Pre-Closing Period Tax Return is filed after the Closing and Seller is not authorized to execute and file such Pre-Closing Period Tax Return by applicable Law, the Buyers shall execute and file, or cause to be filed, such Pre-Closing Period Tax Return (as finally determined pursuant to this Section 5.08(b)) with the appropriate Taxing Authority. Seller shall pay all Pre-Closing Taxes due and payable in respect of all Pre-Closing Period Tax Returns of TMS Sub; *provided*, *however*, that if (i) any Pre-Closing Period Tax Return is due after the Closing and is to be filed, or caused to be filed, by the Buyers, Seller shall pay (in immediately available funds) to the Buyers the amount of all Pre-Closing Taxes due and payable with respect of such Pre-Closing Period Tax Return (determined pursuant to this Section 5.08(b)) no later than three (3) Business Days prior to the earlier of the date such Pre-Closing Period Tax Return is filed or the Due Date of such Pre-Closing Period Tax Return. Notwithstanding the foregoing, in the event that the Independent Accountant has not resolved the dispute by an applicable Due Date, the parties hereto shall file or cause to be filed the applicable Pre-Closing Period Tax Return in such manner as the Buyers reasonably determine, and the parties hereto shall amend such Tax Returns to the extent necessary to conform to the Independent Accountant's final determination.

(c) Preparation and Filing of Tax Returns of TMS Sub for Straddle Periods. The Buyers shall, at their expense, prepare and timely file, or cause to be prepared and timely filed, all Straddle Period Tax Returns required to be filed by or on behalf of TMS Sub. All Straddle Period Tax Returns shall be prepared and filed in a manner that is consistent with the prior practice of TMS Sub except as required by applicable Law. The Buyers shall deliver or cause to be delivered a draft of each Straddle Period Tax Return to Seller for its review at least thirty (30) days prior to the Due Date of any such Straddle Period Tax Return and shall notify Seller of the Buyers' calculation of Seller's share of the Taxes of TMS Sub for such Straddle Period (determined in accordance with Section 5.08(e)); *provided*, *however*, that such draft of such Straddle Period Tax Return and such calculation of Seller's share of the Tax liability for such Straddle Period (determined in accordance with Section 5.08(e)) shall be subject to Seller's review and approval, which approval shall not be unreasonably withheld, conditioned or delayed. If Seller disputes any item on such Straddle Period Tax Return, Seller shall notify the Buyers (by written notice within fifteen days of receipt of such draft of such Straddle Period Tax Return and calculation) of such disputed item (or items) and the basis for its objection. If Seller does not object by written notice within such period, such draft of such Straddle Period Tax Return and calculation of Seller's share of the Taxes for such Straddle Period shall be deemed to have been accepted and agreed upon, and final and conclusive, for purposes of this Section 5.08(c). The Buyers and Seller shall negotiate in good faith to resolve any such dispute prior to the Due Date of such Straddle Period Tax Return. If the Buyers and Seller cannot resolve any disputed item, the item in question shall be resolved by the Independent Accountant (in accordance with the principles of Section 1.07(b)), whose determination shall be final and conclusive for purposes of this Section 5.08(c). Notwithstanding the foregoing, in the event that the Independent Accountant has not resolved a dispute by an applicable Due Date, the parties hereto shall file or cause to be filed the applicable Straddle Period Tax Return in such manner as the Buyers reasonably determines, and the parties hereto shall amend such Tax Returns to the extent necessary to conform to the Independent Accountant's final determination.

(d) Termination of Tax Sharing Agreements. Effective as of the Closing, any and all Tax sharing, allocation, indemnification or similar agreements between Seller and/or any of its Affiliates (other than TMS Sub), on the one hand, and TMS Sub, on the other hand, shall be terminated and shall have no further effect, and thereafter each of Seller (or such Affiliate) and TMS Sub shall not be bound thereby or have any liability thereunder.

(e) Computation of Taxes for Straddle Periods. Whenever it is necessary to determine the liability for Taxes for a Straddle Period relating to:

(i) Taxes imposed on a periodic basis (such as such as real property Taxes or other ad valorem Taxes), the determination of the Taxes for the portion of the Straddle Period ending on and including, and the portion of the Straddle Period beginning and ending after, the Closing Date shall be calculated by allocating to the periods before and after the Closing Date pro rata, based on the number of days of the Straddle Period in the period before and ending on the Closing Date, on the one hand, and the number of days in the Straddle Period in the period after the Closing Date, on the other hand; and

(ii) Taxes not described in Section 5.08(e)(i) (such as (A) Taxes based on the income or receipts for a Straddle Period, (B) Taxes imposed in connection with any sale or other transfer or assignment of property (including all sales and use Taxes) for a Straddle Period, other than Transfer Taxes described in Section 5.08(f)), and (C) withholding and employment Taxes relating to a Straddle Period), the determination of the Taxes for the portion of the Straddle Period ending on and including, and the portion of the Straddle Period beginning and ending after, the Closing Date shall be calculated by assuming that the Straddle Period consisted of two taxable periods, one which ended at the close of the Closing Date and the other which began at the beginning of the day following the Closing Date and items of income, gain, deduction, loss or credit for the Straddle Period shall be allocated between such two taxable years or periods on a "closing of the books basis" by assuming that the books were closed at the close of the Closing Date.

(f) Transfer Taxes. All transfer, documentary, sales, use, stamp, registration, value added and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the Transaction Documents (including any real property transfer Tax and any other similar Tax) (collectively, "**Transfer Taxes**") shall be borne and paid when due 50% by Seller and 50% by the Buyers. Seller and the Buyers shall, at its own expense, timely file, or cause to be filed, any Tax Return or other document with respect to such Taxes or fees (and the parties shall cooperate with respect thereto as necessary, including taking all steps necessary to mitigate the imposition of Transfer Taxes).

(g) Allocation of Purchase Price.

(i) Within thirty (30) Business Days after the final resolution of the adjustments provided pursuant to Section 1.07, the Buyers shall provide to Seller an allocation statement that provides the manner in which the sum of the Purchase Price and the Assumed Liabilities (plus other relevant items) among the Purchased Assets and the Shares in accordance with Section 1060 of the Code and the Treasury Regulations thereunder (and any similar provisions of state, local, or foreign law, as appropriate) (the "**Allocation Statement**"). The Buyers shall consult in good faith with respect to any comments that Seller may have with respect to the Allocation Statement. Within ten (10) Business Days of the Buyers' delivery of the Allocation Statement, Seller shall notify the Buyers in writing that the Allocation Statement has been accepted and agreed to.

(ii) If, within ten (10) Business Days of the Buyers' delivery of the Allocation Statement, Seller has notified Buyer in writing that the Allocation Statement has been accepted and agreed to, each of the parties hereto and their respective Affiliates shall, unless otherwise required by a final "determination" (within the meaning of Section 1313(a) of the Code), (i) prepare and file all Tax Returns, including Internal Revenue Service Form 8594, in a manner consistent with the Allocation Statement, and (ii) take no position in any Tax Return, proceeding, audit or otherwise that is inconsistent with the Allocation Statement. In the event that any of the allocations set forth in the Allocation Statement are disputed by any Taxing Authority, the party receiving notice of such dispute shall promptly notify and consult with the other party concerning the resolution of such dispute, and use reasonable best efforts to contest such dispute in a manner consistent with the Allocation Statement. Notwithstanding anything to the contrary set forth herein, any adjustments to the Purchase Price pursuant to Section 1.07, Section 1.08 or Article VI herein shall be allocated by the Buyers in a manner consistent with the Allocation Statement

(iii) If, within ten (10) Business Days of the Buyers' delivery of the Allocation Statement, Seller has not notified the Buyers in writing that the Allocation Statement has been accepted and agreed to, then the Buyers and Seller shall have no further obligations pursuant to this Section 5.08(g), and the Buyers on the one hand, and Seller, on the other, shall each make its own determination of the allocation of Purchase Price and the Assumed Liabilities (plus other relevant items) among the Purchased Assets and the Shares.

(h) Limitations on Actions. Unless otherwise required by a final determination (within the meaning of Section 1313(a) of the Code) or pursuant to a final resolution of a Third Party Claim related or attributable to Taxes or Tax Returns settled in accordance with Section 6.05(b) or as otherwise required by applicable Law, (i) none of the Buyers or any Affiliate shall or shall cause TMS Sub to amend any previously filed Tax Returns for a Pre-Closing Tax Period; (ii) make or change any Tax elections with respect to any Pre-Closing Tax Period; or (iii) change any accounting method or adopt any convention that shifts taxable income from a period beginning after the Closing Date to a taxable period (or portion thereof) ending on or before the Closing Date or shifts deductions or losses from a Pre-Closing Tax Period to a period beginning (or deemed to begin) after the Closing Date, without the prior written consent of Seller, such consent not to be unreasonably withheld, conditioned or delayed.

Section 5.09. Business Contracts. At or promptly after the Closing, Seller shall deliver to the Buyers the original contract documents in Seller's possession for each of the Business Contracts, or copies of any such Business Contracts where originals are not in any of the Seller Parties' possession, together with the original contract documents in any of the Seller Parties' possession for any and all amendments or modifications thereto, or copies of any such amendments or modifications where originals are not in any of the Seller Parties' possession.

Section 5.10. Further Assurances.

(a) Following the Closing, each of the parties hereto shall, and shall cause their respective Affiliates, execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the Transaction Documents. Additionally, subject to the provisions of Section 5.01, following the Closing, Seller and Shares Buyer shall use reasonable best efforts, and shall cooperate with each other, to obtain any required consent, authorization, approval or waiver that is listed on Section 3.04 of the Disclosure Schedules that was not obtained at or prior to the Closing; *provided*, *however*, that neither Seller nor Shares Buyer shall be required to pay any consideration therefor.

(b) If, after the Closing Date, Seller or any of the Buyers identify any Purchased Asset that was not previously assigned or otherwise transferred by Seller or its Affiliates (other than TMS Sub) to Assets Buyer, then Seller shall promptly assign and transfer the applicable Purchased Asset to Assets Buyer for no additional consideration, subject to the terms and conditions of this Agreement. If, after the Closing Date, Seller or any of the Buyers identify any Excluded Asset that was transferred to Assets Buyer on or after the Closing Date, Assets Buyer shall promptly assign and transfer such Excluded Asset to Seller or its Affiliates, as designated by Seller, for no consideration.

ARTICLE VI
INDEMNIFICATION

Section 6.01. Survival. Subject to the limitations and other provisions of this Agreement, the representations and warranties contained herein shall survive the Closing and shall remain in full force and effect for a period of two (2) years following the Closing Date; *provided that,* the representations and warranties in Section 3.01 (Organization and Qualification of the Seller Parties), Section 3.02 (Authority of Seller), Section 3.03 (Capitalization of TMS Sub) and Section 3.22 (Brokers) (collectively, the "**Seller Fundamental Representations**"), Section 4.01 (Organization of Buyer), Section 4.02 (Authority of the Buyers) and Section 4.04 (Brokers) shall survive for the period of the applicable statutes of limitations (giving effect to any waiver, mitigation or extension thereof) plus sixty (60) days. All covenants and agreements of the parties contained herein shall survive the Closing for a period of one (1) year or for the period explicitly specified therein. Notwithstanding the foregoing, any claims asserted in good faith with reasonable specificity (to the extent known at such time) and in writing by notice from the non-breaching party to the breaching party prior to the expiration date of the applicable survival period shall not thereafter be barred by the expiration of the relevant representation or warranty and such claims shall survive until finally resolved. Notwithstanding any other provision of this Agreement, it is the intention of the parties hereto that the foregoing survival periods and termination dates supersede any applicable statute of limitations applicable to such representations and warranties.

Section 6.02. Indemnification by Seller. Subject to the other terms and conditions of this Article VI, Seller shall indemnify and defend each of the Buyers, their respective Affiliates and their respective Representatives (collectively, the "**Buyer Indemnitees**"), and shall hold each of them harmless, from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by the Buyers Indemnitees to the extent arising out of or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of Seller contained in Article III of this Agreement or any certificate delivered by or on behalf of Seller;

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Seller pursuant to this Agreement or any certificate delivered by or on behalf of Seller;

(c) any and all Pre-Closing Taxes;

(d) any Excluded Liability, including any Excluded Liability asserted against or imposed on each of the Buyers or any of its Affiliates as a result of transferee, successor or similar liability (including bulk sales or similar Laws), operation of law or otherwise; or

(e) any Losses arising from or related to any recoupment actions by Payors or customers as a result of the failure by TMS Sub to at all times remain duly organized, validly existing or in good standing, as applicable, under the Laws of the State of Delaware or of the State of Massachusetts.

Section 6.03. Indemnification by the Buyers. Subject to the other terms and conditions of this Article VI, the Buyers shall, jointly and severally, indemnify and defend each of Seller and its Affiliates and their respective Representatives (collectively, the "**Seller Indemnitees**") against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by the Seller Indemnitees to the extent arising out of or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of the Buyers contained in Article IV of this Agreement or any certificate delivered by or on behalf of the Buyers;

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by the Buyers pursuant to this Agreement or any certificate delivered by or on behalf of the Buyers; or

(c) any Assumed Liability.

Section 6.04. Certain Limitations. The indemnification provided for in Section 6.02 and Section 6.03 shall be subject to the following limitations:

(a) Seller shall not be liable to the Buyers Indemnitees for indemnification under Section 6.02(a) until the aggregate amount of all Losses in respect of indemnification under Section 6.02(a) exceeds the Basket Amount, in which event Seller shall be required to pay or be

liable for the amount of such Losses from the first dollar. Notwithstanding the foregoing, the limitations on liability contained in this Section 6.04(a) shall not apply to any claim for indemnity based on any inaccuracy or breach of the Seller Fundamental Representations or fraud.

(b) The Buyers shall not be liable to the Seller Indemnitees for indemnification under Section 6.03(a) until the aggregate amount of all Losses in respect of indemnification under Section 6.03(a) exceeds the Basket Amount, in which event the Buyers shall be required to pay or be liable for the amount of such Losses from the first dollar. Notwithstanding the foregoing, the limitations on liability contained in this Section 6.04(b) shall not apply to any claim for indemnity based on any inaccuracy or breach of Section 4.01, Section 4.02 or Section 4.04 or fraud.

(c) The Buyers Indemnitees shall not be indemnified pursuant to Section 6.02(a) with respect to any Loss if the aggregate of all Losses for which the Buyers Indemnitees have received indemnification has exceeded $1,300,000 (the "**Cap**"); *provided*, *however*, that the Cap shall not apply to (i) claims arising out of, relating to, or resulting from fraud or (ii) a claim arising out of any inaccuracy in or breach of any of Seller Fundamental Representations. Seller's obligations, if any, to indemnify the Buyers Indemnitees for any Losses under this Article VI shall be satisfied first from any funds remaining in the Escrow Account. For the avoidance of doubt, the limitations on liability contained in this Section 6.04(c) shall not apply to any claims for indemnification pursuant to Section 6.02 other than under Section 6.02(a).

(d) Notwithstanding anything to the contrary set forth in this Agreement, Seller's obligations, if any, to indemnify the Buyers Indemnitees for any Losses pursuant to Section 6.02(a) shall be satisfied solely from (i) first, any funds remaining in the Escrow Account and (ii) second, by setoff of any amounts owed to Seller under Section 1.07 (the "**Setoff Limitation**"); *provided*, *however*, that the Setoff Limitation shall not apply to (i) claims arising out of, relating to, or resulting from fraud, (ii) a claim arising out of any inaccuracy in or breach of any of Seller Fundamental Representations, or (iii) Excluded Liabilities related to Taxes and Pre-Closing Taxes.

(e) Notwithstanding anything to the contrary set forth in this Agreement, in no event shall Seller be liable under this Agreement or in connection with the transactions contemplated hereby for any amount in excess of one hundred percent (100%) of the Purchase Price actually received by Seller, except in the case of fraud committed by Seller, Excluded Liabilities related to Taxes and Pre-Closing Taxes.

(f) Losses shall be calculated net of actual recoveries received by or on behalf of the Buyers under insurance policies (net of any actual costs of recovery or collection, deductibles, retroactive premium adjustments, reimbursement obligations or other costs directly related to the insurance claim and deductibles) or any rights of indemnification or contribution.

(g) For purposes of determining the amount of any Losses (but not in determining whether a representation, warranty or covenant has been breached) for purposes of this Article VI, the words "material," "materiality," "Material Adverse Effect" or similar qualifications contained in any representation, warranty or covenant shall be disregarded.

Section 6.05. Indemnification Procedures. The party making a claim under this Article VI is referred to as the "**Indemnified Party**", and the party against whom such claims are asserted under this Article VI is referred to as the "**Indemnifying Party**".

(a) **Third Party Claims.** If any Indemnified Party receives notice of the assertion or commencement of any Action made or brought by any Person who is not a party to this Agreement or an Affiliate of a party to this Agreement or a Representative of the foregoing (a "**Third Party Claim**") against such Indemnified Party with respect to which the Indemnifying Party is obligated to provide indemnification under this Agreement, the Indemnified Party shall give the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than thirty (30) calendar days after receipt of such notice of such Third Party Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Third Party Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or is reasonably likely to be sustained by the Indemnified Party, specifying in reasonable detail the individual items of Loss included in the amount so stated, the date each such item was sustained or the basis for such anticipated Loss, and the nature of the indemnifiable matter to which such item is related. The Indemnifying Party shall have the right to participate in, or by giving written notice to the Indemnified Party, to assume the defense of any Third Party Claim at the Indemnifying Party's expense and by the Indemnifying Party's own counsel, and the Indemnified Party shall cooperate in good faith in such defense; *provided, that* if the Indemnifying Party is Seller, such Indemnifying Party shall not have the right to defend or direct the defense of any such Third Party Claim that (x) is asserted directly by or on behalf of a Person that is a supplier or customer of the Business, (y) seeks an injunction or other equitable relief against the Indemnified Party, or (z) relates to or arises in connection with any criminal proceeding, action, indictment, allegation or investigation (in each case, an "**Injunctive Third Party Claim**"). Notwithstanding the foregoing, the Indemnifying Party shall not be entitled to assume or continue the defense of a Third Party Claim except to the extent that the Indemnifying Party acknowledges in writing the right of the Indemnified Party to be indemnified hereunder in respect of the full amount of Losses arising out of such Third Party Claim (subject to the limitations set forth in Section 6.04). In the event that the Indemnifying Party assumes the defense of any Third Party Claim, subject to Section 6.05(b), it shall have the right to take such action as it deems necessary to avoid, dispute, defend, appeal or make counterclaims pertaining to any such Third Party Claim in the name and on behalf of the Indemnified Party. The Indemnified Party shall have the right to participate in the defense of any Third Party Claim with counsel selected by it subject to the Indemnifying Party's right to control the defense thereof. The fees and disbursements of such counsel shall be at the expense of the Indemnified Party, *provided, that* if in the reasonable opinion of counsel to the Indemnified Party, (A) there are legal defenses available to an Indemnified Party that are different from or additional to those available to the Indemnifying Party; or (B) there exists a conflict of interest between the Indemnifying Party and the Indemnified Party that cannot be waived, the Indemnifying Party shall be liable for the reasonable fees and expenses of counsel to the Indemnified Party in each jurisdiction for which the Indemnified Party determines counsel is required. If the Indemnifying Party (w) elects not to compromise or defend such Third Party Claim, (x) fails to promptly notify the Indemnified Party in writing of its election to defend as provided in this Agreement, (y) fails to diligently

prosecute the defense of such Third Party Claim, or (z) does not have the right to defend or direct the defense of any Third Party Claim pursuant to this Section 6.05(a), the Indemnified Party may, subject to Section 6.05(b), pay, compromise, defend such Third Party Claim and seek indemnification for any and all Losses to the extent arising out of such Third Party Claim, provided that the Indemnifying Party may participate in (but not control) the defense of such Third Party Claim, with its own counsel, at its own expense, and the Indemnified Party shall give the Indemnifying Party prior written notice of any proposed payment, compromise or settlements of the Third Party Claim. Seller and the Buyers shall cooperate with each other in all reasonable respects in connection with the defense of any Third Party Claim, including making available (subject to the provisions of Section 5.03) records relating to such Third Party Claim and furnishing, without expense (other than reimbursement of actual reasonable out-of-pocket expenses) to the defending party, management employees of the non-defending party as may be reasonably necessary for the preparation of the defense of such Third Party Claim. In the event of an Injunctive Third Party Claim in which the Indemnified Party (the Buyers) assumes the defense, (i) the Indemnified Party (the Buyers) shall consult with the Indemnifying Party (Seller) regularly and on an ongoing basis to discuss and to inform the Indemnifying Party (Seller) concerning the status and defense of the Injunctive Third Party Claim, including the costs associated therewith; (ii) all such discussions and information shall be strictly confidential; (iii) the Indemnifying Party (Seller) shall bear all costs and expenses related thereto; and (iv) the discussions shall be exclusively for informational purposes and shall not alter, modify or change the rights, privileges and obligations of the parties pursuant to this Agreement and the Transaction Documents.

(b) **Settlement of Third Party Claims.** Notwithstanding any other provision of this Agreement, if the Indemnifying Party validly elects to assume and control the defense of a Third Party Claim, then: (i) the Indemnifying Party will not be liable for any settlement of such Third Party Claim effected without its consent, which consent will not unreasonably be withheld, conditioned, or delayed; (ii) the Indemnifying Party may settle such Third Party Claim (other than any Third Party Claim related or attributable to Taxes) without the consent of the Indemnified Party if (A) all monetary damages payable in respect of the Third Party Claim are paid by the Indemnifying Party, (B) the Indemnified Party receives a full, complete, and unconditional release in respect of the Third Party Claim without any admission or finding of obligation, Liability, fault, or guilt (criminal or otherwise) with respect to the Third Party Claim, and (C) no injunctive, extraordinary, equitable, or other relief of any kind is imposed on the Indemnified Party or any of its Affiliates; and (iii) the Indemnifying Party may otherwise settle such Third-Party Claim only with the consent of the Indemnified Party, which consent will not unreasonably be withheld, conditioned, or delayed. Notwithstanding any other provision of this Agreement, if the Indemnifying Party does not have the right to defend or direct the defense of any Third Party Claim pursuant to Section 6.05(a), then the Indemnifying Party will not be liable for any settlement of such Third Party Claim effected without its consent, which consent will not unreasonably be withheld, conditioned, or delayed.

(c) **Direct Claims.** Any Action by an Indemnified Party on account of a Loss which does not result from a Third Party Claim (a "**Direct Claim**") shall be asserted by the Indemnified Party giving the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than thirty (30) days after the Indemnified Party becomes aware of such Direct Claim. The failure to give such prompt written notice shall not, however, relieve the Indemnifying Party

of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Loss that has been or is reasonably likely to be sustained by the Indemnified Party, specifying in reasonable detail the individual items of Loss included in the amount so stated, the date each such item was sustained or the basis for such anticipated Loss, and the nature of the indemnifiable matter to which such item is related. The Indemnifying Party shall have thirty (30) days after its receipt of such notice to respond in writing to such Direct Claim. The Indemnified Party shall allow the Indemnifying Party and its professional advisors to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Party shall assist the Indemnifying Party's investigation by giving such information and assistance as the Indemnifying Party or any of its professional advisors may reasonably request. If the Indemnifying Party does not so respond within such 30 day period, the Indemnifying Party shall be deemed to have accepted such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Agreement.

Section 6.06. Payments. Once a Loss is agreed to by the Indemnifying Party or finally adjudicated to be payable pursuant to this Article VI, subject to the limitations set forth in this Article VI the Indemnifying Party shall satisfy its obligations within five (5) Business Days of such final, non-appealable adjudication by wire transfer of immediately available funds.

Section 6.07. Tax Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the parties as an adjustment to the Purchase Price for Tax purposes, unless otherwise required by Law.

Section 6.08. Effect of Investigation. The representations, warranties and covenants of the Indemnifying Party, and the Indemnified Party's right to indemnification with respect thereto, shall not be affected or deemed waived by reason of any investigation made by or on behalf of the Indemnified Party (including by any of its Representatives).

Section 6.09. Exclusive Remedies. Subject to Section 5.04 and Section 8.12, the parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims (other than claims arising from fraud on the part of a party hereto in connection with the transactions contemplated by this Agreement) for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or in any certificate delivered pursuant hereto or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this Article VI. In furtherance of the foregoing, each party hereby waives, to the fullest extent permitted under Law, any and all rights, claims and causes of action for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or in any certificate delivered pursuant hereto or otherwise relating to the subject matter of this Agreement it may have against the other parties hereto and their Affiliates and each of their respective Representatives arising under or based upon such agreements, certificates or instruments or any Law, except pursuant to the indemnification provisions set forth in this Article VI. Nothing in this Section 6.09 shall limit any Person's right to seek and obtain any equitable or other relief to which any Person shall be entitled or to seek any remedy against any Person on account of fraud committed by such Person.

ARTICLE VII
DEFINITIONS

The following terms have the meanings specified or referred to in this Article VII:

"**Action**" means any claim, action, cause of action, demand, lawsuit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena or investigation of any nature, civil, criminal, administrative, regulatory or otherwise, whether at law or in equity.

"**Affiliate**" of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"**Agreement**" has the meaning set forth in the preamble.

"**Allocation Statement**" has the meaning set forth in Section 5.08(g)(i).

"**Assets Buyer**" has the meaning set forth in the preamble.

"**Assigned Contracts**" has the meaning set forth in Section 1.02(b).

"**Assignment and Assumption Agreement**" has the meaning set forth in Section 2.02(a)(iii).

"**Assumed Liabilities**" has the meaning set forth in Section 1.04.

"**Balance Sheet Date**" has the meaning set forth in Section 3.05.

"**Base Purchase Price**" has the meaning set forth in Section 1.06(a).

"**Basket Amount**" means $75,000.

"**Benefit Plan**" has the meaning set forth in Section 3.19(a).

"**Bill of Sale**" has the meaning set forth in Section 2.02(a)(i).

"**Books and Records**" has the meaning set forth in Section 1.02(h).

"**Business**" has the meaning set forth in the recitals.

"**Business Assets**" means the Purchased Assets and the assets, properties and rights of every type and description that are owned, leased or licensed (from a third party) by TMS Sub.

"**Business Contracts**" means all Contracts to which the Seller Parties are a party, or by which they are bound, that are related to the Business, other than those contracts or other arrangements, instruments or undertakings of any kind that are Excluded Assets.

"**Business Day**" means any day except Saturday, Sunday or any other day on which commercial banks located in New York, New York are authorized or required by Law to be closed for business.

"**Business Inventory**" means all inventory, finished goods, raw material, work in progress, packaging, supplies, parts and other inventories of the Seller Parties that are related to the Business.

"**Buyers**" has the meaning set forth in the preamble.

"Buyer Guaranteed Obligations" has the meaning set forth in Section 8.11.

"**Buyer Indemnitees**" has the meaning set forth in Section 6.02.

"**Cap**" has the meaning set forth in Section 6.04(c).

"**Closing**" has the meaning set forth in Section 2.01.

"**Closing Date**" has the meaning set forth in Section 2.01.

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Common Sensing**" means Common Sensing, Inc., a Delaware corporation.

"**Contracts**" means all contracts, leases, deeds, mortgages, licenses, instruments, notes, commitments, undertakings, indentures, joint ventures, customer orders, vendor and supplier orders, product warranties and all other agreements, commitments and legally binding arrangements, whether written or oral.

"**Direct Claim**" has the meaning set forth in Section 6.05(c).

"**Disclosure Schedules**" means the disclosure schedules delivered by Seller concurrently with the execution and delivery of this Agreement.

"**Disputed Items**" has the meaning set forth in Section 1.07(b).

"**Dollars or $**" means the lawful currency of the United States.

"**Due Date**" means the date on which a Tax Return is required to be filed (taking into account all valid extensions).

"**Earn-Out Consideration**" has the meaning set forth in Section 1.08(a).

"**Employees**" has the meaning set forth in Section 5.02(a).

"**Encumbrance**" means any charge, claim, community property interest, pledge, condition, equitable interest, lien (statutory or other), option, security interest, mortgage, easement, encroachment, right of way, right of first refusal, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership.

"**Environmental Claim**" means any Action, Governmental Order, lien, fine, penalty, or, as to each, any settlement or judgment arising therefrom, by or from any Person alleging liability of whatever kind or nature (including liability or responsibility for the costs of enforcement proceedings, investigations, cleanup, governmental response, removal or remediation, natural resources damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) arising out of, based on or resulting from: (a) the presence, Release of, or exposure to, any Hazardous Materials; or (b) any actual or alleged non-compliance with any Environmental Law or term or condition of any Environmental Permit.

"**Environmental Law**" means any applicable Law, and any Governmental Order or binding agreement with any Governmental Authority: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment (including ambient air, soil, surface water or groundwater, or subsurface strata); or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Materials. The term "Environmental Law" includes, without limitation, the following (including their implementing regulations and any state analogs): the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq.; the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. §§ 2601 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq.; the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 et seq.; and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §§ 651 et seq.

"**Environmental Notice**" means any written directive, notice of violation or infraction, or notice respecting any Environmental Claim relating to actual or alleged non-compliance with any Environmental Law or any term or condition of any Environmental Permit.

"**Environmental Permit**" means any Permit, letter, clearance, consent, waiver, closure, exemption, decision or other action required under or issued, granted, given, authorized by or made pursuant to Environmental Law.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

"**ERISA Affiliate**" means any entity that together with Seller would be deemed a "single employer" for purposes of Section 414(b), (c), (m) or (o) of the Code.

"**Escrow Account**" means the account established pursuant to the Escrow Agreement.

"**Escrow Agent**" means American Stock Transfer & Trust Company, LLC.

"**Escrow Agreement**" means the Escrow Agreement, dated as of the date hereof, by and among the Escrow Agent, the Buyers and Seller in substantially the form of Exhibit B attached hereto.

"**Escrow Amount**" means $500,000.

"**Excluded Assets**" has the meaning set forth in Section 1.03.

"**Excluded Contracts**" has the meaning set forth in Section 1.03(a).

"**Excluded Liabilities**" has the meaning set forth in Section 1.05.

"**False Claims Acts**" has the meaning set forth in Section 3.17(c).

"**Federal Healthcare Program**" has the meaning set forth in Section 3.17(e).

"**Financial Statements**" has the meaning set forth in Section 3.05.

"**Furniture and Fixtures**" has the meaning set forth in Section 1.02(d).

"**Governmental Authority**" means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Law), or any arbitrator, court or tribunal of competent jurisdiction.

"**Governmental Order**" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"**Governmental Requirements**" has the meaning set forth in Section 3.17(a).

"**Hazardous Materials**" means: (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral or gas, in each case, whether naturally occurring or manmade, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under Environmental Laws; and (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation and polychlorinated biphenyls.

"**Healthcare Period**" has the meaning set forth in Section 3.17(a).

"**HIPAA**" has the meaning set forth in Section 3.17(d).

"**Incorporated Open Source Software**" has the meaning set forth in Section 3.11(h).

"**Indemnified Party**" has the meaning set forth in Section 6.05.

"**Indemnifying Party**" has the meaning set forth in Section 6.05.

"**Independent Accountant**" means Deloitte & Touche LLP or its Affiliates, or if such firm refuses or is unable to serve in such capacity, or is otherwise not appointed and engaged for such purpose (including due to a conflict of interest), then another independent nationally recognized accounting firm to be agreed upon by Seller and the Buyers acting reasonably.

"**Insurance Policies**" has the meaning set forth in Section 3.14.

"**Intellectual Property**" means all of the following and similar intangible property and related proprietary rights, interests and protections, however arising, pursuant to the Laws of any jurisdiction throughout the world: (a) trademarks, service marks, trade names, brand names, logos, trade dress and other proprietary indicia of goods and services, whether registered, unregistered or arising by Law, and all registrations and applications for registration of such trademarks, including intent-to-use applications, and all issuances, extensions and renewals of such registrations and applications, and all goodwill symbolized by and associated with the foregoing; (b) internet domain names, whether or not trademarks, registered in any generic top level domain by any authorized private registrar or Governmental Authority; (c) original works of authorship in any medium of expression, whether or not published, all copyrights (whether registered, unregistered or arising by Law), all registrations and applications for registration of such copyrights, and all issuances, extensions and renewals of such registrations and applications; (d) confidential information, formulas, designs, devices, technology, know-how, research and development, inventions, methods, processes, compositions and other trade secrets, whether or not patentable; (e) patented and patentable designs and inventions, all design, plant and utility patents, letters patent, utility models, pending patent applications and provisional applications and all issuances, divisions, continuations, continuations-in-part, reissues, extensions, reexaminations and renewals of such patents and applications; and (f) software, software code (in any form, including source code, executable code and object code), subroutines, techniques, and user interfaces.

"**Intellectual Property Assets**" means all Intellectual Property owned by (i) TMS Sub or (ii) Seller and used or held for us in the conduct of the Business as currently conducted.

"**Intellectual Property Assignments**" has the meaning set forth in Section 2.02(a)(iv).

"**Intellectual Property Licenses**" means all licenses, sublicenses and other agreements by or through which other Persons, including Seller's Affiliates, grant Seller or TMS Sub exclusive or non-exclusive rights or interests in or to any Intellectual Property that is used in or necessary for the conduct of the Business as currently conducted.

"**Intellectual Property Registrations**" means all Intellectual Property Assets that are subject to any issuance, registration, application or other filing by, to or with any Governmental Authority or authorized private registrar in any jurisdiction, including registered trademarks, domain names and copyrights, issued and reissued patents and pending applications for any of the foregoing.

"**Knowledge of Seller or Seller's Knowledge**" or any other similar knowledge qualification, means the actual knowledge of Paula LeClair, Paul Baynham, Christopher Barnard, Tahnee Mehta and Stephen Candelmo, after reasonable inquiry, including a review of the books and records of each of the Seller Parties.

"**Law**" means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, or other rule of law of any Governmental Authority.

"**Leased Premises**" has the meaning set forth in Section 3.10(a).

"**Leases**" has the meaning set forth in Section 3.10(a).

"**Liabilities**" means liabilities, obligations or commitments of any nature whatsoever, asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured or otherwise.

"**Losses**" means losses, damages, Taxes, liabilities, deficiencies, judgments, interest, awards, penalties, fines, costs or expenses of whatever kind, including reasonable attorneys' fees and the cost of enforcing any right to indemnification hereunder and the reasonable out-of-pocket cost of pursuing any insurance providers; *provided, however*, that "Losses" shall not include punitive damages or speculative damages, including loss of future revenue, income or profits, or a multiple of revenue, income, profits, except in the case of fraud or to the extent actually awarded to a Governmental Authority or other third party.

"**Material Adverse Effect**" means any event, occurrence, fact, condition or change that is, or would reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the business, results of operations, condition (financial or otherwise) or assets of the Business, (b) the value of the Business Assets or (c) the ability of Seller to consummate the transactions contemplated hereby on a timely basis; *provided, however,* that "Material Adverse Effect" shall not include any event, occurrence, fact, condition, or change, directly, arising out of or attributable to: (i) any changes, conditions or effects in the United States economies or securities or financial markets in general; (ii) changes, conditions or effects that generally affect the industries in which the Business operates; (iii) conditions caused by acts of terrorism or war (whether or not declared); or (iv) changes in any applicable Law or changes in GAAP or its application; *provided further, however,* that any event, occurrence, fact, condition, or change referred to in clauses (i), (ii) or (iii) immediately above shall be taken into account in determining whether a Material Adverse Effect has occurred or would reasonably be expected to occur to the extent that such event, occurrence, fact, condition, or change has a disproportionate effect on the Business compared to other participants in the industries in which the Business operates.

"**Material Contracts**" has the meaning set forth in Section 3.07(a).

"**Material Customers**" has the meaning set forth in Section 3.13(a).

"**Material Suppliers**" has the meaning set forth in Section 3.13(b).

"**Parent**" has the meaning set forth in the preamble.

"**Payors**" has the meaning set forth in Section 3.17(h).

"**Permits**" means any and all franchises, qualifications, quotas, authorizations, accreditations, licenses, permits, certificates (including certificates of authority), approvals, waivers, exemptions, clearances, consents, registrations, orders or other rights issued, granted or obtained from any Governmental Authority.

"**Permitted Encumbrances**" has the meaning set forth in Section 3.08.

"**Person**" means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association or other entity.

"**Pre-Closing Period Tax Return**" means any Tax Return relating to a Pre-Closing Period.

"**Pre-Closing Tax Period**" means any Tax period ending on or before the Closing Date.

"**Pre-Closing Taxes**" means, without duplication: (a) any and all Taxes of or imposed on TMS Sub for any and all Pre-Closing Tax Periods; (b) any and all Taxes of or imposed on TMS Sub for any and all portions of Straddle Periods ending on the Closing Date (determined in accordance with Section 5.08(e)); (c) any and all Taxes of an "affiliated group" (as defined in Section 1504 of the Code) (or any affiliated, consolidated, unitary, combined or similar group under applicable state, local or foreign Law) of which TMS Sub (or any predecessor of TMS Sub) is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulations Section 1.1502-6 (or any predecessor or successor thereof or any analogous or similar state, local or foreign Law); and (d) any and all Taxes of or imposed on TMS Sub as a result of transferee, successor or similar liability (including bulk transfer or similar Laws) or pursuant to any Law or otherwise, which Taxes relate to an event or transaction (including transactions contemplated by this Agreement) occurring on or before the Closing Date; provided, however, that Pre-Closing Taxes shall not include non-income Taxes to the extent such non-income Taxes were reflected in the final Working Capital.

"**Purchase Price**" has the meaning set forth in Section 1.06(a).

"**Purchased Assets**" has the meaning set forth in Section 1.02.

"**Qualified Benefit Plan**" has the meaning set forth in Section 3.19(d).

"**Related Party**" of a Person shall mean (i) such Person's Affiliates and (ii) (a) with respect to an individual, any member of such individual's family (including any child, step child, parent, step parent, spouse, sibling, mother in law, father in law, son in law, daughter in law, brother in law or sister in law) and (b) with respect to an entity, any of such entity's direct and indirect subsidiaries, parent companies, investors and their respective subsidiaries, successors and assigns, and any of their respective current or former managers, members, directors, officers, employees, supervisors, attorneys, shareholders, insurers or agents.

"**Release**" means any actual or threatened release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to escape or migrate into or through the environment (including, without limitation, ambient air (indoor or outdoor), surface water, groundwater, land surface or subsurface strata or within any building, structure, facility or fixture).

"**Representative**" means, with respect to any Person, any and all directors, officers, employees, consultants, financial advisors, counsel, attorneys, accountants and other agents of such Person.

"**Restricted Period**" has the meaning set forth in Section 5.04(a).

"**Seller**" has the meaning set forth in the preamble.

"**Seller Debt**" means, without duplication, all liabilities of Seller for: (a) borrowed money, including the current portion of all long-term indebtedness; (b) any other indebtedness that is evidenced by a note, bond, debenture, draft or similar instrument; (c) any obligations for the deferred and unpaid purchase price of property or services (other than trade payables and accrued expenses incurred and paid in the ordinary course of business consistent with past practice); (d) any letters of credit, bankers acceptances or other similar instruments or any reimbursement obligations with respect to such instruments; (e) any obligations in respect of any capital leases of Seller; (f) any obligations under that certain Separation and General Release, dated June 15, 2016, by and between Seller and Dr. Jonathan Javitt; (g) any liabilities under any interest rate swaps, futures, collars, caps, foreign currency exchange agreements or other hedging agreements; (h) any off balance sheet financing, including synthetic leases and project financing; (i) any negotiable instrument written on behalf of Seller that are outstanding; (j) the present value of any pension liabilities and of deferred compensation, owed to any current or former officer or equity holder of Seller for which Seller will be liable; (k) any "earn-out" or other similar payment obligations of Seller; (l) in respect of any of the foregoing, any obligations for the outstanding principal amount, accrued and unpaid interest, prepayment penalties, premiums, fees, penalties, expenses, breakage costs and bank overdrafts and (m) any indebtedness referred to in clauses (a) — (l) above of any Person which is either guaranteed by, or secured by a security interest in Seller or any of its assets.

"**Seller Fundamental Representations**" has the meaning set forth in Section 6.01.

"**Seller Indemnitees**" has the meaning set forth in Section 6.03.

"**Seller Parties**" has the meaning set forth in the recitals.

"**Seller Source Code**" has the meaning set forth in Section 3.11(g).

"**Seller Transaction Expenses**" means, collectively, but without duplication, all fees, costs and expenses incurred or otherwise payable by Seller in connection with the preparation, execution and performance of this Agreement and transactions contemplated by this Agreement

or otherwise as a result of the consummation of the transactions contemplated by this Agreement, including (a) the fees, costs and expenses of counsel, accountants, brokers and financial advisors in connection with the transactions contemplated by this Agreement, and (b) any payments required to be made to any officer, director or employees of Seller as a result of the consummation of the transactions contemplated by this Agreement (and, not as a result of any subsequent action(s) taken by the Buyers in its operation of the Business following the Closing), including any change of control payments, stay bonuses or similar obligations.

"**Setoff Limitation**" has the meaning set forth in Section 6.04(d)

"**Shares**" has the meaning set forth in the preamble.

"**Shares Buyer**" has the meaning set forth in the preamble.

"**Software Products**" means all software, software code (in any form, including source code, executable code and object code), subroutines, techniques, and user interfaces that is owned by Seller and incorporated into any products of Seller.

"**Straddle Period**" means any Tax period that begins on or before the Closing Date and ends after the Closing Date.

"**Straddle Period Tax Return**" means any Tax Return relating to a Straddle Period.

"**Tangible Personal Property**" has the meaning set forth in Section 1.02(e).

"**Tax Return**" means any return, declaration, report, form, claim for refund, information return or statement or other document filed or required to be filed with any Taxing Authority, including any schedule or attachment thereto, and including any amendment thereof.

"**Taxes**" means (a) taxes, charges, withholdings, fees, levies, imposts, duties and governmental fees or other like assessments or charges of any kind whatsoever in the nature of taxes imposed by any United States federal, state, local or foreign or other Taxing Authority (including those related to income, net income, gross income, receipts, capital, windfall profit, severance, property (real and personal), production, sales, goods and services, use, business and occupation, license, excise, registration, franchise, employment, payroll (including social security contributions), deductions at source, withholding, alternative or add-on minimum, intangibles, ad valorem, transfer, gains, stamp, customs, duties, estimated, transaction, title, capital, paid-up capital, profits, premium, value added, recording, inventory and merchandise, business privilege, federal highway use, commercial rent or environmental tax, and any liability under unclaimed property, escheat, or similar Laws), and (b) interest, penalties, fines, additions to tax or additional amounts imposed by any Taxing Authority in connection with (i) any item described in clause (a) or (ii) the failure to comply with any requirement imposed with respect to any Tax Return.

"**Taxing Authority**" means, with respect to any Tax, the Governmental Authority that has the power to impose, assess or administer such Tax and the agency (if any) charged with the collection of such Tax for such Governmental Authority.

"**Third Party Claim**" has the meaning set forth in Section 6.05(a).

"**TMS Sub**" has the meaning set forth in the recitals.

"**Tools and Equipment**" has the meaning set forth in Section 1.02(e).

"**Transaction Documents**" means the Bill of Sale, the Assignment and Assumption Agreement, the Escrow Agreement, the Intellectual Property Assignment, the LeClair Employment Agreement and the other agreements, instruments and documents required to be delivered at the Closing.

"**Transfer Taxes**" has the meaning set forth in Section 5.08(f).

"**WARN Act**" means the federal Worker Adjustment and Retraining Notification Act of 1988, and similar state, local and foreign laws related to plant closings, relocations, mass layoffs and employment losses.

"**Working Capital**" means (i) the dollar sum of the line items identified as current assets relating to the Business on Exhibit A, minus (ii) the dollar sum of the line items identified as current liabilities relating the Business on Exhibit A, in each case calculated in accordance with GAAP, subject to any exceptions or modifications to GAAP as set forth on Exhibit A. Notwithstanding anything to the contrary contained herein, in no event will Working Capital include any amounts with respect to Seller Debt or Seller Transaction Expenses.

ARTICLE VIII
MISCELLANEOUS

Section 8.01. Expenses. Except as otherwise expressly provided herein, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

Section 8.02. Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 8.02):

If to Seller: Telcare, Inc.
150 Baker Ave. Extension
Suite 300
Concord, MA 01742
Attention: Board of Directors

with a copy to: Pointone Legal, PLLC
5335 Wisconsin Avenue, N.W., Suite 440
Washington DC, 20015-2052
E-mail: scandelmo@pointonelegal.com
Attention: Stephen Candelmo

with a copy to: Goodwin Procter LLP
135 Commonwealth Drive
Menlo Park, CA 94025
Facsimile: (650) 471-6043
E-mail: wdavisson@goodwinlaw.com
Attention: William Davisson

If to the Buyers or Parent: BioTelemetry, Inc.
1000 Cedar Hollow Road, Suite 102
Malvern, PA 19355
Facsimile: (610) 828-3753
E-mail: peter.ferola@biotelinc.com
Attention: Peter Ferola

with a copy to: Reed Smith LLP
599 Lexington Avenue
New York, NY 10022
E-mail: JCheng@reedsmith.com
Facsimile: (212) 521-5450
Attention: Jennifer Cheng

Section 8.03. Interpretation. For purposes of this Agreement, (a) the words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; and (c) the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (i) to Articles, Sections, Disclosure Schedules and Exhibits mean the Articles and Sections of, and Disclosure Schedules and Exhibits attached to, this Agreement; ii) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and (iii) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Disclosure Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

Section 8.04. Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 8.05. Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

Section 8.06. Entire Agreement. This Agreement and the Transaction Documents constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and those in the Transaction Documents, the Exhibits and Disclosure Schedules (other than an exception expressly set forth as such in the Disclosure Schedules), the statements in the body of this Agreement will control.

Section 8.07. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party; *provided, however*, that prior to the Closing Date, the Buyers may, without the prior written consent of Seller, assign all or any portion of their respective rights under this Agreement to one or more of their direct or indirect subsidiaries or to any of their lenders. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section 8.08. No Third-Party Beneficiaries. Except as provided in Article VI, this Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 8.09. Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 8.10. Governing Law; Submission to Jurisdiction; Waiver of Jury Trial.

(a) This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of Laws of any jurisdiction other than those of the State of Delaware.

(b) ANY LEGAL SUIT, ACTION OR PROCEEDING ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE TRANSACTION DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY MAY BE INSTITUTED IN THE FEDERAL COURTS OF THE UNITED STATES OF AMERICA OR THE COURTS OF THE STATE OF DELAWARE IN EACH CASE LOCATED IN THE CITY OF WILMINGTON AND COUNTY OF NEW CASTLE, AND EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING. SERVICE OF PROCESS, SUMMONS, NOTICE OR OTHER DOCUMENT BY UNITED STATES CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO SUCH PARTY'S ADDRESS SET FORTH HEREIN SHALL BE EFFECTIVE SERVICE OF PROCESS FOR ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN ANY SUCH COURT. THE PARTIES IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY OBJECTION TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR ANY PROCEEDING IN SUCH COURTS AND IRREVOCABLY WAIVE AND AGREE NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT OR THE TRANSACTION DOCUMENTS IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH PARTY TO THIS AGREEMENT CERTIFIES AND ACKNOWLEDGES THAT (i) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION; (ii) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER; (iii) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (iv) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.10(C).

Section 8.11. Parent Guarantee. In consideration of, and as an inducement to Seller entering into this Agreement and performing its respective obligations hereunder, Parent hereby irrevocably, absolutely and unconditionally guarantees to Seller the full performance and payment by the Buyers of the covenants, obligations, monetary or otherwise, and undertakings of the Buyers pursuant to or otherwise in connection with this Agreement and the Transaction Documents, and the consummation of the transactions contemplated hereby or thereby (the "**Buyer Guaranteed Obligations**"). This guarantee is a guarantee of performance and not of collection. To the fullest extent permitted by Law, Parent hereby expressly waives any and all rights or defenses arising by reason of any Law that would otherwise require any election of remedies by Seller and Parent waives promptness, diligence, notice of the acceptance of this guaranty and of the Buyer Guaranteed Obligations, presentment, demand for payment, notice of non-performance, default, dishonor and protest, notice of any of the Buyer Guaranteed Obligations incurred and all other notices of any kind, all defenses which may be available by

virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshalling of assets of the Buyers, and all suretyship defenses generally; *provided*, *however*, that notwithstanding the foregoing or anything to the contrary set forth herein, Parent shall have all of the same rights and defenses (whether pursuant to limitations on liability, notice requirements or otherwise) as the Buyers may have pursuant to the terms of this Agreement, the Transaction Documents and the consummation of the transactions contemplated hereby or thereby. Parent acknowledges that it will receive substantial direct and indirect benefits from the transactions contemplated hereby and that the waivers set forth in this Section 8.11 are knowingly made in contemplation of such benefits.

Section 8.12. Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to seek specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 8.13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

SELLER:

TELCARE, INC.

By /s/ Paula LeClair
Name Paula LeClair
Title: CEO

ASSETS BUYER:

TELCARE ACQUISITION, LLC

By /s/ Joseph H. Capper
Name: Joseph H. Capper
Title: President

SHARES BUYER:

BIOTELEMETRY CARE MANAGEMENT, LLC

By /s/ Joseph H. Capper
Name: Joseph H. Capper
Title: President

PARENT:

BIOTELEMETRY, INC.

By /s/ Joseph H. Capper
Name: Joseph H. Capper
Title: President and Chief Executive Officer

EXHIBIT A

Working Capital

See attached.

	Working Capital 11/30/2016
Accounts Receivable	$ 204,182
Inventory	1,785,309
Prepaid Expenses	58,813
	2,048,304
Assets	
Accounts Payable	$ 465,437
Accrued Liabilities	130,845
Accrued Payroll	1,160
Accrued Bonus	—
Accrued Vacation	—
Deferred Revenue	49,000
	619,442
Liabilities	
Working Capital	$ 1,428,863

EXHIBIT B

Escrow Agreement

See attached.

ESCROW AGREEMENT

This ESCROW AGREEMENT, dated as of December 1, 2016 (together with Schedule A hereto, this "Agreement"), is made by and among Telcare Acquisition, LLC, a Delaware limited liability company ("Telcare Acquisition") BioTelemetry Care Management, LLC, a Delaware limited liability company (together with Telcare Acquisition, "Indemnitee"); TELCARE, INC., a Delaware corporation ("Indemnitor"); and AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC, a New York limited liability trust company, with principal offices located at 6201 15th Avenue, Brooklyn, New York 11219 ("Escrow Agent"). Capitalized terms used, but not otherwise defined, herein shall have the respective meanings assigned to such terms in the Purchase Agreement (defined below).

WHEREAS, Indemnitee and Indemnitor have entered into that certain Stock and Asset Purchase Agreement, dated as of the date hereof (the "Purchase Agreement"), pursuant to which Indemnitee will acquire substantially all of the assets and assume certain specified liabilities of Indemnitor and its Affiliates;

WHEREAS, the Purchase Agreement provides that Indemnitee shall place an agreed upon sum of money in a segregated escrow account titled in the name of Escrow Agent for the benefit of Indemnitee and Indemnitor at the Closing, a portion of the Purchase Price shall be deposited by Indemnitee with Escrow Agent to be held and distributed by Escrow Agent to fund indemnification obligations of Indemnitor set forth in accordance with the terms of the Purchase Agreement;

WHEREAS, Escrow Agent has agreed to accept, hold, and disburse the funds deposited with it and the earnings thereon in accordance with the terms of this Agreement;

WHEREAS, Indemnitor and Indemnitee have appointed the Representatives (as defined below) to represent them for all purposes in connection with this Agreement (including the Escrow Funds); and

WHEREAS, in order to establish the Escrow Funds and otherwise to effect the indemnification provisions of the Purchase Agreement, the parties hereto have entered into this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Definitions. The following terms shall have the meanings indicated or referred to below, inclusive of their singular and plural forms, except where the context requires otherwise. Unless the context requires otherwise, all references to "years," "months," or "days" shall mean "calendar years," "calendar months," and "calendar days." References in this Agreement to "including" shall mean "including, without limitation," whether or not so specified.

"**Affiliate**" of a person means any other person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

"**Business Day**" shall mean any day other than a Saturday, a Sunday, or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"**Escrow Funds**" shall mean the funds deposited with Escrow Agent pursuant to Section 3 of this Agreement, together with any earnings thereon (including interest).

"**Escrow Termination Date**" shall mean December 1, 2017.

"**Indemnitee Representative**" shall mean the person so designated on Schedule A hereto or any other person designated in a writing signed by Indemnitee and delivered to Escrow Agent and Indemnitor Representative in accordance with the notice provisions of this Agreement, to act as Indemnitee's representative under this Agreement.

"**Indemnitor Representative**" shall mean the person so designated on Schedule A hereto or any other person designated in a writing signed by Indemnitor and delivered to Escrow Agent and Indemnitee Representative in accordance with the notice provisions of this Agreement, to act as Indemnitor's representative under this Agreement.

"**Joint Written Direction**" shall mean a written direction executed by the Representatives (as defined below) and directing Escrow Agent to disburse all or a portion of the Escrow Funds or to take or refrain from taking an action pursuant to this Agreement.

"**Representatives**" shall mean Indemnitor Representative and Indemnitee Representative.

2. Appointment of and Acceptance by Escrow Agent. Indemnitor and Indemnitee hereby appoint Escrow Agent to serve as escrow agent hereunder. Escrow Agent hereby accepts such appointment and, upon receipt of the Escrow Funds, by wire transfer of immediately available funds in accordance with Section 3 below, agrees to hold, invest and disburse Escrow Funds in accordance with this Agreement.

3. Deposit of Escrow Funds. Simultaneously with the execution and delivery of this Agreement, Indemnitee will transfer the Escrow Funds in the amount set forth on Schedule A hereto to Escrow Agent, by wire transfer of immediately available funds to the segregated account of Escrow Agent referenced on Schedule A hereto. To the extent Indemnitee transfers additional funds, by wire transfer of immediately available funds, to Escrow Agent's account as referenced on Schedule A hereto, Escrow Agent shall amend Schedule A hereto and provide such amended Schedule A to Indemnitor, Indemnitee and the Representatives.

4. Disbursements of Escrow Funds.

(a) In the event that Indemnitor delivers notice of any Third Party Claim or Direct Claim to Indemnitee pursuant to Section 6.05(a) or Section 6.05(c) of the Purchase Agreement (each, a "Claim Notice"), Indemnitor Representative shall concurrently deliver a copy of each such Claim Notice to the Escrow Agent.

(b) Pursuant to Section 6.06 of the Purchase Agreement, once a Loss has been agreed to by Indemnitor or finally adjudicated to be payable by Indemnitor in accordance with Article VI of the Purchase Agreement, Indemnitee Representative and Indemnitor Representative shall deliver to Escrow Agent a Joint Written Direction (a "Loss Notice") setting forth the amount of such Loss determined to be payable by Indemnitor ("Loss Amount") instructing the Escrow Agent to pay to Indemnitee the Loss Amount specified in the Loss Notice from the Escrow Fund.

(c) Notwithstanding anything set forth in this Agreement including this Section 4, the Escrow Agent shall distribute to Indemnitee (to an account designated by Indemnitee) at the end of each calendar quarter and upon the final distribution out of the Escrow an amount of cash equal to forty-five (45) percent of the income attributed to the Indemnitee under Section 12(b) for Indemnitee to pay all taxes related to such income.

(d) No later than five (5) Business Days following the Escrow Termination Date, Escrow Agent shall disburse all remaining amounts from the Escrow Funds to Indemnitor; *provided; however*, that an amount equal to any Losses that have been or are reasonably likely to be sustained by Indemnitor pursuant to any then unresolved Third Party Claims or Direct Claims and set forth in a Claim Notice delivered in accordance with Section 6.05(a) or Section 6.05(c) of the Purchase Agreement, shall be retained by Escrow Agent until finally released pursuant to Section **Error**! **Reference source not found**. above.

5. Suspension of Performance; Disbursement into Court. If, at any time, (i) there shall exist any dispute between or among Indemnitor and Indemnitee with respect to the holding or disposition of all or any portion of the Escrow Funds or any other obligations of Escrow Agent hereunder, (ii) Escrow Agent is unable to determine, to Escrow Agent's sole satisfaction, the proper disposition of all or any portion of the Escrow Funds or Escrow Agent's proper actions with respect to its obligations hereunder, or (iii) the Representatives have not, within thirty (30) days of the furnishing by Escrow Agent of a notice of resignation pursuant to Section 7 hereof, appointed a successor escrow agent to act hereunder (which such successor escrow agent has accepted such appointment), then Escrow Agent may, in its sole discretion, take the following actions:

(a) In the case of clause (i) or (ii) above, suspend the performance of any of its obligations to make such disbursements with respect to which there is a dispute or uncertainty until such dispute or uncertainty shall be resolved to the sole satisfaction of Escrow Agent and in the case of clause (iii) above, suspend its performance under this Agreement to make any disbursement until a successor escrow agent shall have been appointed, *provided*, that in any event Escrow Agent, shall otherwise remain obligated to continue holding the Escrow Funds in accordance with the terms of this Agreement.

(b) petition (by means of an interpleader action or any other appropriate method) any court of competent jurisdiction, for instructions with respect to such dispute or uncertainty, and to the extent required or permitted by law, pay into such court, for holding and disposition in accordance with the instructions of such court, the Escrow Funds.

Escrow Agent shall have no liability to Indemnitor, Indemnitee, or either of the Representatives, or to their respective shareholders, partners, or members, officers or directors, employees, Affiliates or any other person with respect to any such suspension of performance or disbursement into court (including any disbursement obligations hereunder), specifically including any liability or claimed liability that may arise, or be alleged to have arisen, out of or as a result of any delay in the disbursement of Escrow Funds or any delay in or with respect to any other action required or requested of Escrow Agent, except to the extent that Escrow Agent's action or inaction is a result of fraud, gross negligence or willful misconduct.

6. Investment of Escrow Funds

a. Investment of Escrow Funds. At all times prior to the disbursement of the Escrow Funds, Escrow Agent will invest the Escrow Funds in either the Wells Fargo Fund #743 (Government Money Market Fund) or Wells Fargo Fund #8 (100% Treasury Money Market Fund) as the Representatives shall jointly direct in writing. Indemnitee and Indemnitor agree that they have reviewed the prospectus prior to investing. Escrow Agent is further authorized to sell or redeem any or all of such investments and to reinvest the proceeds of such sales or redemptions in like investments, all upon joint written instructions signed by the Representatives. In the absence of joint written instructions from the Representatives, the Escrow Funds deposited into the Escrow Account shall be invested and reinvested in the Citibank Insured Money Market Account (the "IMMA"). Notwithstanding any of the foregoing, no portion of the Escrow Funds may be held in an investment which does not mature or cannot be sold, redeemed or otherwise liquidated at the holder's option in seven (7) days or less without loss of interest or discount.

b. Registrations; Information Regarding Investments. Indemnitee and Indemnitor recognize and agree that Escrow Agent will not provide supervision, recommendations or advice relating to either the investment of funds held or the purchase, sale, retention or other disposition of any permitted investments. All investments of the Escrow Funds, if any, shall be registered and held in the name of Escrow Agent for the benefit of Indemnitee and Indemnitor. Escrow Agent will send statements and broker confirmations or a written statement containing comparable information, to the Representatives on a monthly basis reflecting activity (including a list of all investments) with respect to the Escrow Funds for the preceding month.

c. Effect of Gains and Losses. Interest and other earnings or gains realized from the investment of the Escrow Funds, if any, shall be considered a part of the Escrow Funds. Any loss from any investment, or any expense incurred by Escrow Agent in connection with the investment of the Escrow Funds, will be borne by the Escrow Funds. Amounts on deposit in the account established pursuant to this Agreement (the "Escrow Account") are currently insured up to a total of $250,000 per depositor, per insured bank (including principal and accrued interest) by the Federal Deposit Insurance Corporation (the "FDIC"), subject to the applicable rules and regulations of the FDIC. The parties hereto acknowledge that deposits in the Escrow Account are not secured. Escrow Agent is hereby authorized to execute purchases and sales of permitted investments through the facilities of its own trading or capital markets operations or those of any affiliated entity.

7. Resignation and Removal of Escrow Agent. Escrow Agent may resign and be discharged from the performance of its duties hereunder at any time by giving thirty (30) days' prior written notice to Indemnitor, Indemnitee and the Representatives specifying the date when such resignation shall take effect. Escrow Agent may be removed as Escrow Agent hereunder at any time by the mutual consent of the Representatives by giving not less than five (5) calendar days' prior written notice of such removal to Escrow Agent. Such removal shall be effective five (5) calendar days' after the delivery of such notice or upon the earlier appointment of a successor, and Escrow Agent's sole responsibility thereafter shall be to safely keep the Escrow Funds and to deliver the same to a successor escrow agent as shall be appointed by the Representatives and evidenced by a Joint Written Direction filed with Escrow Agent or in accordance with a court order. Upon any such notice of resignation or removal, the Representatives shall jointly issue to Escrow Agent a Joint Written Direction authorizing redelivery of the Escrow Funds to a bank or trust company that has been retained as successor to Escrow Agent hereunder prior to the effective date of such resignation or removal. The retiring Escrow Agent shall transmit all records pertaining to the Escrow Funds and shall pay all Escrow Funds to the successor escrow agent, after making copies of such records as the retiring Escrow Agent deems advisable and after deduction and payment to the retiring Escrow Agent of all fees, costs and expenses (including court costs and expenses and attorneys' fees) or any other amount payable to, incurred by, or expected to be incurred by the retiring Escrow Agent in connection with the performance of its duties and the exercise of its rights hereunder.

After any retiring Escrow Agent's resignation or removal, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Escrow Agent under this Agreement. Any corporation or other entity into which Escrow Agent may be merged or converted or with which it may be merged or consolidated, or any other entity to which all or a majority of all of Escrow Agent's escrow business may be transferred by sale of assets or otherwise, shall be Escrow Agent under this Agreement without further act or consent of any party hereto.

8. Liability of Escrow Agent. Escrow Agent undertakes to perform only the duties as are expressly set forth herein and no other duties and obligations (fiduciary or otherwise) shall be implied. Escrow Agent shall have no duty to enforce any obligation of any other person to make any payment or delivery, or to direct or cause any payment or delivery to be made by any other person, or to enforce any obligation of any other person to perform any other act. Escrow Agent shall have no liability under and no duty to inquire as to the provisions of any agreement (even though such agreement may be referenced in this Agreement) other than this Agreement. In the event of any conflict between the terms and provisions of this Agreement and any other agreement, as to Escrow Agent, the terms and conditions of this Agreement shall control. Escrow Agent is not a party to the Purchase Agreement, is not bound by any of its terms, and has not undertaken in any way to effectuate, implement or comply with the Purchase Agreement. Escrow Agent shall not be liable to Indemnitor or Indemnitee or to anyone else for any action taken or omitted by it in good faith, except to the extent that Escrow Agent's fraud, gross negligence or willful misconduct is a cause of any loss to Indemnitor or Indemnitee. Escrow Agent's sole responsibility shall be for the safekeeping and disbursement of the Escrow Funds in accordance with the terms of this Agreement. Escrow Agent shall have no implied duties or obligations and shall not be charged with knowledge or notice of any fact or circumstance not specifically set forth herein, except as may be set forth in a notice delivered by Indemnitee and/or Indemnitor to Escrow Agent in accordance with the terms of this Agreement. Escrow Agent shall have no duty to solicit any payment which may be due to be paid in Escrow Funds or to confirm or verify the accuracy or correctness of any amounts deposited in accordance with this Agreement. Escrow Agent may rely conclusively, and shall be protected in acting in good faith, upon any notice, instruction (including a Joint Written Direction (such as a wire transfer instruction)), request, order, judgment, certification, opinion or advice of counsel (including counsel chosen by Escrow Agent), statement, demand or other instrument or document, not only as to its due execution, validity (including the authority of the person signing or presenting the same) and effectiveness, but also as to the truth and accuracy of any information contained therein, which Escrow Agent shall believe to be genuine and to have been signed or presented by the person or parties purporting to sign the same. In no event shall Escrow Agent be liable for incidental, indirect, special, consequential or punitive damages of any kind whatsoever (including lost profits), even if Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. The officers, directors, members, partners, trustees, employees, agents, attorneys or other representatives and Affiliates of Escrow Agent owe no duty or obligation to any party hereunder and shall have no liability to any person by reason of any error of judgment, for any act done or not done, for any mistake of fact or law, or otherwise, *provided* that the foregoing shall not place any limitations upon the Escrow Agent's duties, obligations or liability under this Agreement.

Escrow Agent shall not be obligated to take any legal or other action or commence any proceeding in connection with the Escrow Funds, any account in which Escrow Funds are deposited, this Agreement or the Purchase Agreement, or to appear in, prosecute or defend any such legal action or proceeding (unless it shall have been furnished with reasonably acceptable indemnification and advancement). Escrow Agent may consult legal counsel selected by it in the event of any dispute or question as to the construction of any of the provisions hereof or of any other agreement or of its duties hereunder, or relating to any dispute or question involving any party hereto, and shall incur no liability whatsoever in acting in good faith in accordance with the opinion or instruction of such counsel. Escrow Agent shall notify Indemnitee, Indemnitor and the Representatives prior to engaging counsel and incurring any such expense in each instance. Indemnitee and Indemnitor, jointly and severally, shall promptly pay, upon demand, the reasonable fees, costs and expenses of any such counsel. Escrow Agent shall have no responsibility with respect to the use or application of any Escrow Funds paid by Escrow Agent pursuant to the provisions hereof.

Escrow Agent shall have the right to assume in the absence of written notice to the contrary from the proper person or persons that a fact or an event by reason of which an action would or might be taken by Escrow Agent does not exist or has not occurred, without incurring liability to the other parties hereto or to anyone else for any action taken or omitted, or any action suffered by it to be taken or omitted, in good faith, in reliance upon such assumption.

Escrow Agent is authorized, in its sole discretion, acting in good faith, to comply with orders issued or process entered by any court with respect to the Escrow Funds, without determination by Escrow Agent of such court's jurisdiction in the matter. If any portion of the Escrow Funds is at any time attached, garnished or levied upon under any court order, or in case the payment, assignment, transfer, conveyance or delivery of any such property shall be stayed or enjoined by any court order, or in case any order, judgment or decree shall be made or entered by any court affecting such property or any part thereof, then and in any such event, Escrow Agent is authorized, in its sole discretion, acting in good faith, to rely upon and comply with any such order, writ, judgment or decree which it is advised by legal counsel selected by it is binding upon it without the need for appeal or other action; and if Escrow Agent complies with any such order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person or entity by reason of such compliance even though such order, writ, judgment or decree may be subsequently reversed, modified, annulled, set aside or vacated.

9. Indemnification of Escrow Agent. From and at all times after the date of this Agreement, Indemnitor and Indemnitee, jointly and severally, shall, to the fullest extent permitted by law, defend, indemnify and hold harmless Escrow Agent and each director, officer, member, partner, trustee, employee, agent and Affiliate of Escrow Agent (collectively, the "Indemnified Parties") against any and all actions, claims (whether or not valid), losses, damages, liabilities, costs, penalties, settlements, judgments and expenses of any

kind or nature whatsoever (including costs and expenses and reasonable attorneys' fees) incurred by or asserted against any of the Indemnified Parties from and after the date hereof, whether direct, indirect or consequential, as a result of, in connection with, or arising from or in any way relating to any claim, demand, suit, action or proceeding (including any inquiry or investigation) by any person, including Indemnitor, Indemnitee and/or the Representatives, whether threatened or initiated, asserting a claim for any legal or equitable remedy against any person (whether it is an Indemnified Party or not) under any statute or regulation, including any federal or state securities laws, or under any common law or equitable cause or otherwise, arising from or in connection with the negotiation, preparation, execution, performance or failure of performance of this Agreement or any transactions contemplated herein or relating hereto (including tax reporting or withholding or the enforcement of any rights or remedies under or in connection with this Agreement), whether or not any such Indemnified Party is a party to any such action, proceeding, suit or the target of any such inquiry or investigation (without derogation of any other indemnity afforded to Escrow Agent); *provided, however*, that no Indemnified Party shall have the right to be indemnified hereunder for any liability to the extent such liability resulted from the fraud, gross negligence or willful misconduct of such Indemnified Party. Each Indemnified Party shall, in its sole discretion, have the right to select and employ separate counsel with respect to any action or claim brought or asserted against it, and the reasonable fees of such counsel (and such counsel's costs and expenses) shall be paid, upon demand, by Indemnitor and Indemnitee jointly and severally.

The parties hereto agree that neither the payment by Indemnitor or Indemnitee of any claim by Escrow Agent for indemnification hereunder nor the disbursement of any amounts to Escrow Agent from the Escrow Funds in respect of a claim by Escrow Agent for indemnification shall impair, limit, modify, or affect, as between Indemnitor and Indemnitee, the respective rights and obligations of Indemnitor, on the one hand, and Indemnitee, on the other hand, under the Purchase Agreement.

10. Fees, Costs and Expenses of Escrow Agent. Indemnitor and Indemnitee shall compensate Escrow Agent for its services hereunder in accordance with Schedule A attached hereto and, in addition, shall reimburse Escrow Agent for all of its reasonable out-of-pocket costs and expenses, including attorneys' fees, telephone and facsimile transmission costs, postage (including express mail and overnight delivery charges), copying charges and the like. The additional provisions and information set forth on Schedule A hereto are hereby incorporated by this reference, and form a part of this Agreement. All of the compensation and reimbursement obligations set forth in this Section 10 shall be payable by Indemnitor and Indemnitee, jointly and severally, upon execution of this Agreement and, in the future, upon demand by Escrow Agent. Indemnitee, on the one hand, and Indemnitor, on the other hand, agree as to each other that the obligation for all and any fees, expenses or other amounts paid or payable to Escrow Agent hereunder shall be borne equally, and each shall have a right of contribution against the other for their respective share, and shall promptly pay on demand any amount paid or suffered by the other in excess of its own share.

11. Representations and Warranties. Each of Indemnitor and Indemnitee severally makes the following representations and warranties to Escrow Agent:

(a) It is duly organized, validly existing, and in good standing under the laws of the state of its incorporation or organization, and has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

(b) It possesses such valid and current licenses, certificates, authorizations or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct its respective businesses, and it has not received any notice of proceedings relating to the revocation or modification of, or non-compliance with, any such license, certificate, authorization or permit.

(c) This Agreement has been duly approved by all necessary action, including any necessary shareholder or membership approval, has been executed by its duly authorized officers, and constitutes its valid and binding agreement enforceable in accordance with its terms.

(d) The execution, delivery, and performance of this Agreement is in accordance with the Purchase Agreement and will not violate, conflict with, or cause a default under its articles of incorporation, bylaws, management agreement or other organizational document, as applicable, any applicable law, rule or regulation, any court order or administrative ruling or decree to which it is a party or any of its property is subject, or any agreement, contract, indenture, or other binding arrangement, including the Purchase Agreement, to which it is a party or any of its property is subject.

(e) The applicable persons designated on Schedule A hereto have been duly appointed to act as its representatives hereunder and have full power and authority to execute and deliver any Joint Written Direction, to amend, modify or waive any provision of this Agreement and to take any and all other actions as the Representatives under this Agreement, all without further consent or direction from, or notice to, it or any other party.

(f) No party other than the parties hereto has, or shall have, any lien, claim or security interest in the Escrow Funds or any part thereof. No financing statement under the Uniform Commercial Code is on file in any jurisdiction claiming a security interest in or describing (whether specifically or generally) the Escrow Funds or any part thereof.

12. Patriot Act Disclosure; Taxpayer Certification and Reporting.

(a) Patriot Act Disclosure. Indemnitor and Indemnitee acknowledge that a portion of the identifying information set forth on Schedule A hereto is being requested by Escrow Agent in connection with the USA Patriot Act, Pub.L.107-56 (the "Act"), and Indemnitor and Indemnitee agree to provide any additional information requested by Escrow Agent in connection with the Act or any similar law, rule, regulation, order, or other governmental act to which Escrow Agent is subject, in a timely manner and consent to Escrow Agent obtaining from third parties any such

identifying information. Indemnitor and Indemnitee each represent that all identifying information set forth on Schedule A hereto, including its Taxpayer Identification Number assigned by the Internal Revenue Service or any other taxing authority, is true and complete on the date hereof. For a non-individual person such as a charity, a trust, or other legal entity, Escrow Agent may require documentation to verify formation and existence as a legal entity. Escrow Agent may also require financial statements, licenses, identification and authorization documentation from any individual claiming authority to represent the entity or other relevant documentation.

(b) Certification and Tax Reporting. Indemnitor and Indemnitee have provided Escrow Agent with their respective fully executed Internal Revenue Service ("IRS") Form W-8, or W-9 and/or other required documentation. Indemnitor and Indemnitee acknowledge that solely for tax purposes, Escrow Agent does not have any interest in the Escrow Funds or the Escrow Account. All interest or other income earned under this Agreement shall be allocated to Indemnitee and reported, as and to the extent required by law, by Escrow Agent to the IRS, or any other taxing authority, on IRS Form 1099 or 1042S (or other appropriate form) as income earned from the Escrow Funds by Indemnitee whether or not said income has been distributed during such year. Indemnitee shall timely file all tax returns and pay all taxes due with respect to any income earned or losses generated with respect to the Escrow Funds. Escrow Agent shall not have any liability for the payment of taxes with respect to the Escrow Funds, and Indemnitee shall indemnify and hold Escrow Agent harmless from and against all such taxes. Escrow Agent shall withhold any taxes it deems appropriate in the absence of proper tax documentation or as required by law, and shall remit such taxes to the appropriate authorities. Indemnitor hereby represents and warrants to Escrow Agent that there is no sale or transfer of a United States Real Property Interest as defined under Section 897(c) of the Internal Revenue Code of 1986, as amended, in the underlying transaction giving rise to this Agreement.

13. Consent to Jurisdiction and Venue. Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in the federal courts of the United States of America or the courts of the State of Delaware in each case located in the city of Wilmington and county of New Castle, and each party hereto irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding. Service of process, summons, notice or other document by United States certified mail, return receipt requested, to such party's address set forth herein shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties hereto irrevocably and unconditionally waive any objection to the laying of venue of any suit, action or any proceeding in such courts and irrevocably waive and agree not to plead or claim in any such court that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LEGAL ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY HERETO CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT SEEK TO ENFORCE THE FOREGOING WAIVER IN THE EVENT OF A LEGAL ACTION, (B) SUCH PARTY HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 13.

14. Notice. All notices, instructions (pursuant to a Joint Written Direction or otherwise), approvals, consents, requests, and other communications hereunder shall be in writing and shall be deemed to have been given (a) when such writing is delivered by hand or overnight delivery service, or (b) upon telephone call-back in accordance with Section 15 below, after being sent by e-mail with PDF attachment from the designated e-mail account(s) of the sending person(s) as designated on Schedule A hereto to the designated e-mail account(s) of the receiving person(s) as designated on Schedule A hereto or (c) three (3) Business Days after being mailed by first class certified U.S. mail (postage prepaid), return receipt requested, in each case to the address set forth on Schedule A hereto or to such other address as each party hereto may designate for itself by like notice.

15. Security Procedures. If notices, instructions (pursuant to a Joint Written Direction or otherwise), approvals, consents, requests, and other communications, are received by Escrow Agent by e-mail at its e-mail account(s) as designated on Schedule A hereto, Escrow Agent is authorized, but not required, to seek prompt confirmation of such communications by telephone call-back to the sending person or persons' telephone number(s) as designated on Schedule A hereto, and Escrow Agent may rely upon the confirmation of anyone purporting to be the person or persons so designated in that call-back. Any e-mail by PDF attachment executed by more than one person shall be sent by each signatory. The persons and their telephone numbers authorized to receive call-backs as designated in Schedule A hereto may be changed only in a writing actually received and acknowledged by Escrow Agent and delivered in accordance with Section 14 above and, if applicable, this Section 15. If Escrow Agent is unable to contact any such designated person, Escrow Agent is hereby authorized (but not required) both to receive written instructions from and seek confirmation of such instructions by telephone call-back to any one or more of Indemnitor's or Indemnitee's executive officers (each, an "Executive Officer"), as the case may be, who shall include individuals holding titles of Vice President or more senior thereto, as Escrow Agent may select. Such Executive Officer(s) shall deliver to Escrow Agent a fully executed incumbency certificate upon Escrow Agent's request, and Escrow Agent may rely upon the confirmation of anyone purporting to be any such Executive Officer(s). The parties to this Agreement acknowledge and agree that the security procedures set forth above are commercially reasonable.

Escrow Agent in any funds transfer may rely solely upon any account numbers or similar identifying numbers provided by the parties hereto to identify (i) a beneficiary, (ii) a beneficiary's bank, or (iii) an intermediary bank. Escrow Agent may apply any of the Escrow Funds for any payment order it executes using any such identifying number, even where its use may result in a person other than a beneficiary being paid, or the transfer of funds to a bank other than a beneficiary's bank or an intermediary bank designated.

16. Amendment or Waiver. This Agreement may be changed, waived, discharged or terminated only by a writing signed by the parties hereto. No delay or omission by any party hereto in exercising any right with respect hereto shall operate as a waiver. A waiver on any one occasion shall not be construed as a bar to, or waiver of, any right or remedy on any future occasion.

17. Severability. To the extent any provision of this Agreement is prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of Laws of any jurisdiction other than those of the State of Delaware.

19. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto relating to the holding, investment and disbursement of Escrow Funds and sets forth in their entirety the obligations and duties of Escrow Agent with respect to the Escrow Funds.

20. Binding Effect. All of the terms of this Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the respective successors and assigns of Indemnitor, Indemnitee and Escrow Agent.

21. Execution in Counterparts. This Agreement and any Joint Written Direction may be executed in two or more counterparts, which when so executed shall constitute one and the same agreement or direction. Subject to Section 14 and Section 15 hereof, this Agreement and any Joint Written Direction may be executed and delivered by e-mailing a PDF version of a signed signature page, which shall have the same force and effect as the delivery of an originally executed signature page.

22. Termination of Escrow Agent. Upon the disbursement of all amounts in the Escrow Funds pursuant to one or more Joint Written Directions, into court pursuant to Section 5 hereof, in accordance with applicable state escheatment and unclaimed property laws or otherwise in accordance with this Agreement, Escrow Agent shall be released from its obligations hereunder and Escrow Agent shall have no further obligation or liability whatsoever with respect to this Agreement or the Escrow Funds, except with respect to any liabilities that arose prior to the date of termination. The obligations of Indemnitor and Indemnitee continue to exist notwithstanding the termination or discharge of Escrow Agent's obligations or liabilities hereunder until the obligations of Indemnitor and Indemnitee have been fully performed.

23. Dealings. Escrow Agent and any stockholder, director, officer or employee of Escrow Agent may buy, sell, and deal in any of the securities of Indemnitor or Indemnitee and become pecuniarily interested in any transaction in which Indemnitor or Indemnitee may be interested, and contract and lend money to Indemnitor or Indemnitee and otherwise act as fully and freely as though it were not Escrow Agent under this Agreement. Nothing herein shall preclude Escrow Agent from acting in any other capacity for Indemnitor or Indemnitee or for any other entity.

24. Currency. The currency applicable to any amount payable or receivable under this Agreement is United States dollars.

25. Late Payment. If any amount due to Escrow Agent under this Agreement is not paid within 30 days (subject to any longer time period prescribed herein) after notice to Indemnitor and/or Indemnitee (other than any amount that is subject to good faith dispute), Indemnitor and Indemnitee jointly and severally shall pay interest thereon (from the due date to the payment date) at a per annum rate equal to ten (10) percent.

26. Force Majeure. Notwithstanding anything to the contrary hereunder, Escrow Agent shall not be liable for any delay, failure to perform, or other act or non-act resulting from acts beyond its reasonable control, including acts of God, terrorism, shortage of supply, labor difficulties (including strikes), war, civil unrest, fire, floods, electrical outages, equipment or transmission failures, internet interruption, vendor failures (including information technology providers), and other similar causes.

27. No Third Party Beneficiaries. This Agreement and all of its terms and conditions are for the sole and exclusive benefit of the parties hereto and their respective permitted successors and assigns. Nothing expressed or referred to in this Agreement will be construed to give any person or entity other than the parties to this Agreement any legal or equitable rights, remedy, or claim under or with respect to this Agreement or any term or condition of this Agreement.

28. No Strict Construction. The parties hereto have participated jointly in the negotiation and draft of this Agreement. In the event any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if it were drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party hereto by virtue of authorship of any provision of this Agreement.

29. Priority. (a) In the event of any conflict between the provisions of Schedule A hereto and the remainder of this Agreement, Schedule A shall prevail. (b) Nothing contained in this Agreement shall amend, replace or supersede any agreement between Indemnitor or Indemnitee and Escrow Agent to act as Indemnitor's or Indemnitee's transfer agent, which agreement shall remain in full force and effect.

30. Headings. The headings in this Agreement are for convenience purposes and shall be ignored for purposes of enforcing this Agreement, do not constitute a part of this Agreement, and may not be used by any party hereto to characterize, interpret, limit or affect otherwise any provision of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

INDEMNITEE

TELCARE ACQUISITION, LLC

By: /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

BIOTELEMETRY CARE MANAGEMENT, LLC

By: /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

INDEMNITOR

TELCARE, INC.

By: /s/ Paula LeClair
Name: Paula LeClair
Title: CEO

ESCROW AGENT

AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC,

By: /s/ Paul H. Kim
Name: Paul H. Kim
Title: Assistant General Counsel

SCHEDULE A

1. Escrow Funds.

Escrow Funds amount:	$500,000
Escrow Funds wiring instructions:	JP MORGAN CHASE NEW YORK, NY ABA# 021000021 A/C NAME: AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC A/C #: 530-354624 REF (Company Involved)

2. Escrow Agent Fees.

Acceptance Fee:	$
Annual Escrow Fee (including first year):	$ 5,000
Out-of-Pocket Expenses:	$
[Transactional Costs]:	$
[Other Fees/Attorney, etc.]:	$
TOTAL	$

The Acceptance Fee and the Annual Escrow Fee for each year of the term of this Agreement are payable upon execution of this Agreement. In the event the escrow is not funded, the Acceptance Fee and all related expenses, including attorneys' fees, costs and expenses remain due and payable, and if paid, will not be refunded. Annual fees cover a full year in advance, or any part thereof, and thus are not pro-rated in the year of termination.

The fees quoted in this schedule apply to services ordinarily rendered in the administration of the Escrow Account and are subject to reasonable adjustment based on final review of documents, or when Escrow Agent is called upon to undertake unusual or extraordinary duties or responsibilities, or as changes in law, procedures, or the cost of doing business demand. Services in addition to and not contemplated in this Agreement, including document amendments and revisions, non-standard cash and/or investment transactions, calculations, notices and reports, and legal fees, will be billed as expenses.

Unless otherwise indicated, the above fees relate to the establishment of one escrow account. Additional sub-accounts governed by this Agreement may incur an additional charge. Transaction costs include charges for wire transfers, checks, internal transfers and securities transactions.

The fees quoted in this schedule are subject to reasonable adjustment by Escrow Agent in accordance with its customary practices and if it is called upon to undertake further unusual or extraordinary duties or responsibilities, or as changes in law, procedures, or the cost of doing business demand.

3. Taxpayer Identification Numbers.

Indemnitor: Telcare, Inc.: 27-1937275

Indemnitee: Telcare Acquisition, LLC: 81-5452607

BioTelemetry Care Management, LLC: 81-4544828

4. Termination and Disbursement. Unless earlier terminated by the provisions of this Agreement, the Escrow Account will terminate on the Escrow Termination Date. Any Escrow Funds remaining in the Escrow Account at such time shall be distributed in accordance with Section 4 of this Agreement; *provided, however,* that any earnings thereon shall be distributed in accordance with Section 12(b) of this Agreement.

5. Investment Instructions.

Wells Fargo Fund #8 (100% Treasury Money Market Fund)

6. Representatives.

The following person is hereby designated and appointed as Indemnitee Representative under this Agreement:

/s/ Peter Ferola
Specimen signature

Name: Peter Ferola
Address: 1000 Cedar Hollow Road
Suite 102, Malvern, PA 19355

Social Security number:

The following person is hereby designated and appointed as Indemnitor Representative under this Agreement:

/s/ Stephen Candelmo
Specimen signature

Name: Stephen Candelmo
Address: Pointone Legal, PLLC
5335 Wisconsin Avenue, N.W., Suite 440
Washington DC, 20015-2052
Mailing Address, if different:
Social Security number:

7. Notice Addresses.

If to Indemnitee at:

BioTelemetry, Inc.
1000 Cedar Hollow Road, Suite 102
Malvern, PA 19355
Facsimile: (610) 828-3753
E-mail: peter.ferola@biotelinc.com
Attention: Peter Ferola

With a copy to:

Indemnitee Representative at:

Peter Ferola
1000 Cedar Hollow Road, Suite 102
Malvern, PA 19355
Facsimile: (610) 828-3753
E-mail: peter.ferola@biotelinc.com

With a copy to:

Reed Smith LLP
599 Lexington Avenue
New York, NY 10022
E-mail: JCheng@reedsmith.com
Facsimile: (212) 521-5450
Attention: Jennifer Cheng

If to Indemnitor at:

Telcare, Inc.

150 Baker Ave. Extension
Suite 300
Concord, MA 01742
(978) 610-2230

With a copy to Indemnitor Representative at:

Stephen P. Candelmo, Esq.
Pointone Legal, PLLC
5335 Wisconsin Avenue, N.W., Suite 440
Washington DC, 20015-2052
scandelmo@pointonelegal.com

With a copy to:

Goodwin Procter LLP
135 Commonwealth Drive
Menlo Park, CA 94025
Facsimile: (650) 471-6043
E-mail: wdavisson@goodwinlaw.com
Attention: William Davisson

If to Escrow Agent at:

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, New York 11219
Attn: Corporate Actions
Tel: (718) 921.8200

With a copy to:

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, New York 11219
Attn: General Counsel
Tel: (718) 921.8200

8. Designated Email Accounts and Telephone Call-Back Numbers (for persons designated to send and receive notices by e-mail).

Indemnitor:	Name	Email Address	Phone
	Stephen Candelmo	scandelmo@pointonelegal.com	301-385-3469
Indemnitor Representative:	Name	Email Address	Phone
	Stephen Candelmo	scandelmo@pointonelegal.com	301-385-3469
Indemnitee:	Name	Email Address	Phone
	Amy Covert	amy.covert@biotelinc.com	(610) 729-5060
Indemnitee Representative:	Name	Email Address	Phone
	Amy Covert	amy.covert@biotelinc.com	(610) 729-5060
Escrow Agent:	Name	Email Address	Phone
	Anna Frenkel	afrenkel@amstock.com	(718) 921-8852

EXHIBIT C

Bill of Sale

See attached.

EXECUTION COPY

BILL OF SALE

This BILL OF SALE (this **"Bill of Sale"**), dated as of December 1, 2016, is made by and between Telcare, Inc., a Delaware corporation **("Seller"**), and Telcare Acquisition, LLC, a Delaware limited liability company **("Assets Buyer"**), pursuant to that certain Share and Asset Purchase Agreement, dated as of the date hereof, by and among Seller, Assets Buyer, BioTelemetry Care Management, LLC and BioTelemetry, Inc. (the **"Purchase Agreement"**). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

Pursuant to, and on the terms and subject to the terms and conditions of the Purchase Agreement, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Seller on behalf of itself and its Affiliates (other than TMS Sub) does hereby sell, assign, transfer, convey and deliver to Assets Buyer (and its successors and assigns), all of its and its applicable Affiliates' right, title and interest in and to all tangible personal property included in the Purchased Assets, to have and to hold the same unto Assets Buyer, its successors and assigns, forever.

Nothing contained herein shall in any way be construed to supersede, modify, replace, amend or affect the provisions of the Purchase Agreement. In the event of a conflict between the terms and conditions set forth in this Bill of Sale and the terms and conditions set forth in the Purchase Agreement, or the interpretation and application thereof, the terms and conditions set forth in the Purchase Agreement shall prevail, govern and control in all respects.

A signed copy of this Bill of Sale delivered by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Bill of Sale.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned has executed this Bill of Sale to be effective as of the date first written above.

SELLER:

TELCARE, INC.

By /s/ Paula LeClair
Name: Paula LeClair
Title: CEO

[Signature Page to Bill of Sale]

EXHIBIT D

Assignment and Assumption Agreement

See attached.

EXECUTION COPY

ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT (this **"Agreement"**), dated as of December 1, 2016, is made by and between Telcare, Inc., a Delaware Corporation **("Seller")**, and Telcare Acquisition, LLC, a Delaware limited liability company ("**Assets Buyer**"). Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement (as defined below).

WHEREAS, Assets Buyer, Seller, BioTelemetry Care Management, LLC and BioTelemetry, Inc., are parties to that certain Share and Asset Purchase Agreement, dated as of the date hereof (the **"Purchase Agreement"**), pursuant to which, among other things, Assets Buyer has agreed to purchase the Purchased Assets (other than tangible personal property, Intellectual Property Assets and Intellectual Property Licenses) and the Assumed Liabilities from Seller.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Assignment and Assumption. Pursuant to, and on the terms and subject to the terms and conditions of the Purchase Agreement, (i) Seller, on behalf of itself and its Affiliates (other than TMS Sub), hereby unconditionally and irrevocably sells, assigns, grants, transfers, conveys and delivers to Assets Buyer (and its successors and assigns), and (ii) Assets Buyer (and its successors and assigns), hereby unconditionally and irrevocably accepts and purchases, acquires and assumes from Seller and its applicable affiliates, free and clear of any Encumbrances other than Permitted Encumbrances, all of Seller's and its applicable affiliates right, title and interest in and to the Purchased Assets (other than tangible personal property, Intellectual Property Assets and Intellectual Property Licenses). Effective as of the Closing, Assets Buyer (and its successors and assigns) hereby assumes and agrees to pay, discharge, perform or otherwise satisfy all of the Assumed Liabilities.

2. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction).

3. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

4. Further Assurances. Each of the parties hereto shall execute and deliver, at the reasonable request of the other party hereto, such additional documents, instruments, conveyances and assurances and take such further actions as such other party may reasonably request to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have executed this Agreement to be effective as of the date first written above.

SELLER:

TELCARE, INC.

By /s/ Paula LeClair
Name: Paula LeClair
Title: CEO

ASSETS BUYER:

TELCARE ACQUISITION, LLC

By /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

[Signature Page to Assignment and Assumption Agreement]

EXHIBIT E

Intellectual Property Assignment

See attached.

EXECUTION COPY

PATENT ASSIGNMENT

This Patent Assignment (this "**Patent Assignment**"), dated as of December 1, 2016 is by and between Telcare Acquisition, LLC, having offices at 150 Baker Avenue Extension, Suite 300, Concord, Massachusetts 01742 ("**Assets Buyer**"), and Telcare, Inc., having offices at 2 Bethesda Metro Center, Suite 1350, Bethesda, Maryland 20814 ("**Seller**"). Assets Buyer and Seller are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

WHEREAS, Seller owns an ownership interest in the patents and patent applications (and patents issuing on such applications) listed on Schedule A attached hereto and made a part hereof (collectively referred to herein as the "**Acquired Patents**"); and

WHEREAS, Assets Buyer and Seller have entered into a Share and Asset Purchase Agreement, dated as of the date hereof (the "**Share and Asset Purchase Agreement**"); and

WHEREAS, in connection with the Share and Asset Purchase Agreement, Seller has agreed to sell, transfer, convey, assign and deliver to Assets Buyer, and Assets Buyer has agreed to purchase and accept from Seller, Seller's entire ownership interest in the Acquired Patents.

AGREEMENT

NOW, THEREFORE, in consideration of the above and in the Share and Asset Purchase Agreement and of the representations, warranties, conditions, agreements and promises contained in the Share and Asset Purchase Agreement and this Patent Assignment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. **Conveyance and Acceptance.** Seller hereby sells, transfers, conveys, assigns and delivers to Assets Buyer, its successors, legal representatives, and assigns Seller's entire right, title and interest in and to the Acquired Patents, and Assets Buyer hereby purchases and accepts from Seller, Seller's ownership interest in the Acquired Patents. The Acquired Patents include (a) all national, regional and international patents and patent applications, including provisional patent applications; (b) all patent applications filed either from such patents, patent applications or provisional applications or from an application claiming priority from any of the foregoing, including divisionals, continuations, continuations-in-part, provisionals, converted provisionals and continued prosecution applications; (c) any and all patents that have issued or in the future issue from the foregoing patent applications ((a) and (b)), including utility models, petty patents, and design patents and certificates of invention; (d) any and all extensions or restorations by existing or future extension or restoration mechanisms, including revalidations, reissues, re-examinations and extensions (including any supplementary protection certificates and the like) of the foregoing patents or patent applications ((a), (b) and (c)); (e) any similar rights, including so-called

pipeline protection or any importation, revalidation, confirmation or introduction patent or registration patent or patent of additions to any of such foregoing patent applications and patents; and (f) all proceeds, benefits, privileges, causes of action, and remedies relating to the Acquired Patents, all rights to bring an action, whether at law or in equity, for infringement or other violation of the Acquired Patents against any third party, all rights to recover damages, profits and injunctive relief for infringement or other violation of the Acquired Patents.

2. **Recordation.** Seller hereby authorizes the United States Commissioner of Patents and Trademarks and, as appropriate, the respective patent office or other governmental authority in each jurisdiction other than the United States, to record this Assignment. Seller hereby acknowledges that this assignment, being of Seller's entire right, title and interest in and to the Acquired Patents carries with it the right in Assets Buyer to apply for and obtain from competent authorities in all countries of the world any and all patents included in this Assignment by attorneys and agents of Assets Buyer and the right to procure the grant of all such patents to Assets Buyer in its own name as assignee of Seller's entire right, title and interest therein.

3. **Further Assurances.** Seller agrees to take such further action and to execute and deliver such additional instruments and documents as Assets Buyer may reasonably request to carry out and fulfill the purposes and intent of this Patent Assignment including signing all papers and documents, taking all lawful oaths and doing all acts necessary or required to be done for the procurement, maintenance, enforcement and defense of patents or applications of Acquired Patents.

4. **Counterparts.** This Patent Assignment may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement. Delivery of an executed counterpart of a signature page of this Patent Assignment by facsimile or other electronic transmission shall be effective as delivery of a manually executed original counterpart of this Patent Assignment.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have caused this Trademark Assignment to be executed as of the date first written above.

ASSESTS BUYER:

TELCARE EACQUISTION, LLC

By /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

SELLER:

TELCARE, INC.

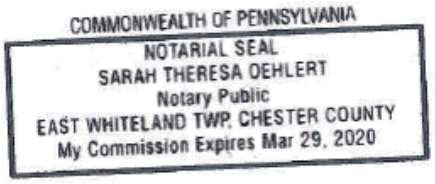
By /s/ Paula LeClair
Name: Paula LeClair
Title: CEO

[Signature Page to Patent Assignment]

STATE OF Pennsylvania}
}ss
COUNTY OF Chester}

On this 30 day of November, 2016, before me personally appeared Peter Ferola, to me personally known, who, being duly sworn, did say that he/she is the Secretary of BioTelemetry Care Management, LLC and that he/she duly executed the foregoing instrument for and on behalf of BioTelemetry Care Management, LLC being duly authorized to do so and that said individual acknowledged said instrument to be the free act and deed of said company.

/s/ Sarah Theresa Oehlert
Notary Public
Expiration Date: 3/29/2020

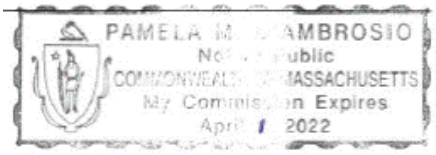


[Signature Page to Patent Assignment]

STATE OF Massachusetts}
}ss Concord
COUNTY OF Middlesex}

On this 30 day of November, 2016, before me personally appeared Paula LeClair, to me personally known, who, being duly sworn, did say that he/she is the Seller of Telcare, Inc. and that he/she duly executed the foregoing instrument for and on behalf of Telcare, Inc. being duly authorized to do so and that said individual acknowledged said instrument to be the free act and deed of said company.

/s/ Paula M. D'Ambrosio
Notary Public
Expiration Date: _____



[Signature Page to Patent Assignment]

SCHEDULE A

ACQUIRED PATENTS

1. US Patent No. 9,064,034, Handheld Blood Glucose Monitoring Device with Messaging Capability, Javitt; Dwyer et al.
2. US Application No. 13/293,046, Handheld Blood Glucose Monitoring Device with Messaging Capability, Javitt; Bjork et al.
3. US Application No. 14/744,267, Handheld Blood Glucose Monitoring Device with Messaging Capability, Javitt; Bjork et al.
4. European Application No. 12791620.3, Handheld Blood Glucose Monitoring Device with Messaging Capability, Javitt; Bjork et al.
5. Japanese Application No. 2014-541205, Handheld Blood Glucose Monitoring Device with Messaging Capability, Javitt; Bjork et al.

EXECUTION COPY

TRADEMARK ASSIGNMENT

This Trademark Assignment (this "**Trademark Assignment**"), dated as of December 1, 2016 is by and between Telcare Acquisition, LLC, having offices at 150 Baker Avenue Extension, Suite 300, Concord, Massachusetts 01742 ("**Assets Buyer**"), and Telcare, Inc., having offices at 2 Bethesda Metro Center, Suite 1350, Bethesda, Maryland 20814 ("**Seller**"). Assets Buyer and Seller are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**".

RECITALS

WHEREAS, Seller is the owner in the applicable jurisdiction of the trademark registrations and applications set forth on Schedule A attached hereto and made part hereof (collectively, the "**Acquired Trademarks**");

WHEREAS, Assets Buyer and Seller have entered into that certain Share and Asset Purchase Agreement, dated as of the date hereof (the "**Share and Asset Purchase Agreement**"); and

WHEREAS, in connection with the Share and Asset Purchase Agreement, Assets Buyer has agreed to acquire from Seller and Seller has agreed to sell, transfer, convey, assign and deliver to Assets Buyer all of Seller's rights, title and interest in and to the Acquired Trademarks, together with the goodwill of the business associated with and symbolized by the Acquired Trademarks.

NOW, THEREFORE, in consideration of the mutual benefits to be derived from this Trademark Assignment and of the representations, warranties, conditions, agreements and promises contained in the Share and Asset Purchase Agreement and this Trademark Assignment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. **Conveyance and Acceptance.** Seller hereby sells, transfers, conveys, assigns and delivers to Assets Buyer, its successors, legal representatives, and assigns all right, title and interest in and to the Acquired Trademarks and Assets Buyer hereby purchases and accepts from Seller the Acquired Trademarks. The Acquired Trademarks include (a) any word, name, symbol, color, designation or device or any combination thereof for use in the course of trade, including any trademark, registered trademark, application for registration of trademark, service mark, trade dress, brand mark, trade name, registered trade name, application for registration of trade name, brand name, domain name, logo or business symbol, including all common law rights therein, (b) all proceeds, benefits, privileges, causes of action, and remedies relating to the Acquired Trademarks, all rights to bring an action, whether at law or in equity, for infringement or other violation of the Acquired Trademarks against any third party, all rights to recover damages, profits and injunctive relief for infringement or other violation of the Acquired Trademarks, and (c) all goodwill of the business associated with and symbolized by the Acquired Trademarks.

2. **Recordation.** Seller hereby authorizes the United States Commissioner of Patents and Trademarks and, as appropriate, the respective patent office or other governmental authority in each jurisdiction other than the United States, to record this Assignment.

3. **Further Assurances.** Seller agrees to take such further action and to execute and deliver such additional instruments and documents as Assets Buyer may reasonably request to carry out and fulfill the purposes and intent of this Trademark Assignment including signing all papers and documents, taking all lawful oaths and doing all acts necessary or required to be done for the procurement, maintenance, enforcement and defense of trademarks or applications of Acquired Trademarks.

4. **Counterparts.** This Trademark Assignment may be executed in any number of counterparts, and each such counterpart hereof shall be deemed to be an original instrument, but all such counterparts together shall constitute but one agreement. Delivery of an executed counterpart of a signature page of this Trademark Assignment by facsimile or other electronic transmission shall be effective as delivery of a manually executed original counterpart of this Trademark Assignment.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have caused this Trademark Assignment to be executed as of the date first written above.

ASSETS BUYER:

TELCARE ACQUISITION, LLC

By /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

SELLER:

TELCARE, INC.

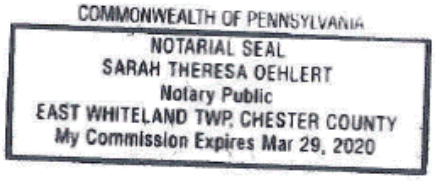
By /s/ Paula LeClair
Name: Paula LeClair
Title: CEO

[Signature Page to Trademark Assignment]

STATE OF Pennsylvania}
}ss
COUNTY OF Chester}

On this 30 day of November, 2016, before me personally appeared Peter Ferola, to me personally known, who, being duly sworn, did say that he/she is the Secretary of BioTelemetry Care Management, LLC and that he/she duly executed the foregoing instrument for and on behalf of BioTelemetry Care Management, LLC being duly authorized to do so and that said individual acknowledged said instrument to be the free act and deed of said company.

/s/ Sarah Theresa Oehlert
Notary Public
Expiration Date: 3/29/2020

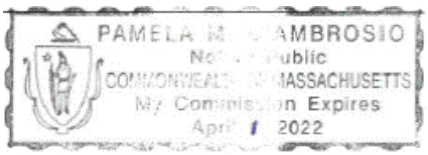


[Signature Page to Trademark Assignment]

STATE OF Massachusetts}
}ss Concord
COUNTY OF Middlesex}

On this 30 day of November, 2016, before me personally appeared Paula LeClair, to me personally known, who, being duly sworn, did say that he/she is the Seller of Telcare, Inc. and that he/she duly executed the foregoing instrument for and on behalf of Telcare, Inc. being duly authorized to do so and that said individual acknowledged said instrument to be the free act and deed of said company.

/s/ Paula M. D'Ambrosio
Notary Public
Expiration Date: _____



[Signature Page to Trademark Assignment]

SCHEDULE A

ACQUIRED TRADEMARKS

1.	Telcare (Stylized Logo)	Serial Number: 85905961
2.	Telcare	Serial Number: 85257726
3.	Telcare BGM	Serial Number: 85257732
4.	Agiliti	Serial Number: 86780308

EXHIBIT F

LeClair Employment Agreement

See attached.

EXECUTION COPY

TelCare Acquisition, LLC
EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (this *"**Agreement**")* is made and entered into effective as of November 30, 2016 (the *"**Effective Date**")* by and among **TelCare Acquisition, LLC** (the *"**Company**")* and **Paula LeClair** (the *"**Executive**").* The Company and Executive are hereinafter collectively referred to as the ***"Parties,"*** and individually referred to as a *"**Party**."*

RECITALS

A. The Company has entered into negotiations with TelCare, Inc., to purchase certain shares and assets of the Company (the *"**Transaction**")* by virtue of a Share and Asset Purchase Agreement dated December 1, 2016 by and between TelCare, Inc. and the Company (the *"**APA**").*

B. In connection with the Transaction, the Company desires to secure the employment of Executive, contingent on the closing of the Transaction, in order to retain Executive's experience, skills, abilities, background and knowledge, and is willing to engage Executive's services on the terms and conditions set forth in this Agreement.

C. Executive desires to be in the employ of the Company, and is willing to accept such employment on the terms and conditions set forth in this Agreement.

D. This Agreement supersedes all prior and contemporaneous oral or written employment agreements or arrangements between Executive and TelCare, Inc.

AGREEMENT

In consideration of the foregoing Recitals and the mutual promises and covenants herein contained, and for other good and valuable consideration, the Parties, intending to be legally bound, agree as follows:

1. EMPLOYMENT.

1.1 Title. Effective as of the Effective Date, Executive's position shall be the Company's President, subject to the terms and conditions set forth in this Agreement.

1.2 Term. The term of this Agreement shall begin on the Effective Date and shall continue until it is terminated pursuant to Section 4 herein (the *"**Term**").* If the Transaction is not consummated, this Agreement shall terminate and shall be of no further force and effect, and neither Party shall have any liability to the other Party hereunder.

1.3 Duties. Executive shall do and perform all services, acts or things necessary or advisable to manage and conduct the business of the Company and that are normally associated with the position of President. Executive shall report to the President of BioTelemetry, Inc., Joseph Capper, the parent company of BioTelemetry Care Management, LLC (the *"**Parent Company**").*

1.4 Policies and Practices. The employment relationship between the Parties shall be governed by this Agreement and by the policies and practices established by the Company's or Parent Company's Board of Directors, or any committee thereof to which the Company's or Parent Company's Board of Directors has delegated responsibility for compensation matters (the *"**Board**").* In the event that the terms of this Agreement differ from or are in conflict with any of the Company's or Parent Company's policies or practices, including the Company's employee handbook, this Agreement shall control.

1.5 Location. Unless the Parties otherwise agree in writing, during the Term, Executive shall perform the services Executive is required to perform pursuant to this Agreement at the Company's offices in Concord, MA; *provided, however,* that the Company may from time to time require Executive to travel temporarily to other locations in connection with the Company's business.

2. LOYAL AND CONSCIENTIOUS PERFORMANCE; NONCOMPETITION.

2.1 Loyalty. During the Term, Executive shall devote Executive's full business energies, interest, abilities and productive time to the proper and efficient performance of Executive's duties under this Agreement.

2.2 Covenant not to Compete. During the Term, and during any period thereafter in which Executive is receiving severance benefits from the Company pursuant to Section 4.5 hereunder, Executive shall not engage in competition with the Company and/or any of its Affiliates (as defined below), either directly or indirectly, in any manner or capacity, as adviser, principal, agent, affiliate, promoter, partner, officer, director, employee, stockholder, owner, co-owner, consultant, or member of any association or otherwise, in any phase of the business of developing, manufacturing and marketing of products or services that are in the same field of use or which otherwise compete with the products or services of the Company, except with the prior written consent of the Board. For purposes of this Agreement, *"**Affiliate,**"* means, with respect to any specific entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such specified entity.

2.3 Agreement not to Participate in Company's Competitors. During the Term, Executive agrees not to acquire, assume or participate in, directly or indirectly, any position, investment or interest known by Executive to be adverse or antagonistic to the Company, its business, or prospects, financial or otherwise, or in any company, person, or entity that is, directly or indirectly, in competition with the business of the Company or any of its Affiliates. Ownership by Executive, in professionally managed funds over which Executive does not have control or discretion in investment decisions, or as a passive investment, of less than two percent (2%) of the outstanding shares of capital stock of any corporation with one or more classes of its capital stock listed on a national securities exchange or publicly traded on a national securities exchange or in the over-the-counter market shall not constitute a breach of this Section 2.3.

3. COMPENSATION OF EXECUTIVE.

3.1 Base Salary. The Company shall pay Executive a base salary at the annualized rate of Two Hundred Seventy Five Thousand Dollars ($275,000) (the ***"Base Salary"),*** less payroll deductions and all required withholdings, payable in regular periodic payments in accordance with the Company's normal payroll practices. The Base Salary shall be prorated for any partial year of employment on the basis of a three hundred sixty-five (365) day fiscal year.

3.2 Bonus Payments. In addition to the Executive's Base Salary, Executive shall be eligible to receive a discretionary bonus in the form of a performance incentive of up to $137,500, for the calendar years 2017 and 2018 (the *"**Annual Bonus**").* The Annual Bonus will be based on the Company's achievement of the following revenue targets (each, a *"**Revenue Target**")*: (A) for 2017, Company's Revenue Target is to achieve revenue of at least $7,200,000 during the 2017 calendar year, and (B) for 2018, Company's Revenue Target is to achieve revenue of at least $12,180,000 during the 2018 calendar year. For calendar years 2017 and 2018, Executive's Annual Bonus shall be determined as follows:

- In the event the Company attains 90% achievement of the applicable annual Revenue Target, Executive shall be entitled to an Annual Bonus in the amount of $68,750; or

- In the event the Company attains 100% achievement of the applicable annual Revenue Target, Executive shall be entitled to an Annual Bonus in the amount of $137,500.

Any bonus earned by the Executive shall be paid in accordance with the Parent Company's Management Incentive Program.

3.3 Retention Bonus. The Company shall also pay to Executive a retention bonus in an amount equivalent to $137,500 (the *"**Retention Bonus**"),* provided Executive (i) remains employed by the Company for a period beginning on the Effective Date and ending on November 30, 2017 (the *"**Retention Period**");* and (ii) remains in good standing during the Retention Period. The Retention Bonus shall be paid in a lump sum on the next regularly scheduled pay date following the Retention Period (the *"**Payment Date**").* The Retention Bonus shall be subject to applicable tax withholdings. Notwithstanding the foregoing, if Executive terminates her employment by resignation with Good Reason (as defined below) or if Executive is terminated by the Company without Cause (as defined below) prior to the end of the Retention Period, Executive shall have the right to receive the Retention Bonus during the first payroll period following such Termination, and if Executive's employment with the Company terminates for any other reason prior to the end of the Retention Period or if Executive's employment is terminated by the Company for Cause after the last day of the Retention Period but prior to the Payment Date, Executive shall become ineligible for the payment of the Retention Bonus.

3.4 Long Term Incentive Plan. Executive shall be eligible to participate in the Parent Company's Long Term Incentive Plan (the *"**LTIP**")* beginning with the 2017 fiscal year. Under the LTIP, Executive shall be eligible to receive annual stock option and annual restricted stock awards for each fiscal year of the Term based upon the Adjusted Dollar Value (as defined in the LTIP) as determined by and evaluated by the Board in its sole and absolute discretion. For

the 2016 fiscal year, for purposes of determining Executive's Adjusted Dollar Value, Executive's target dollar value shall be fifty percent (50%) of Executive's Base Salary. Any award granted to Executive in the 2016 fiscal year under the LTIP shall be prorated for Executive's partial year of employment on the basis of a three hundred sixty-five (365) day fiscal year. Executive's receipt of any awards under the LTIP shall be subject in all respects to the terms and conditions of the LTIP, as in effect from time to time.

3.5 Initial Equity Grant. On the date of the closing of the Transaction, which is scheduled to occur on or about December 1, 2016 (the ***"Grant Date"),*** pursuant to the Parent Company's 2008 Equity Incentive Plan (the ***"Equity Plan"),*** the Company shall grant to Executive a stock option (the ***"Option")*** (which shall be treated as an incentive stock option to the maximum extent permissible and as a nonqualified stock option as to any remainder) to purchase Fifty Thousand **(50,000)** shares of common stock of the Company, subject to the restrictions and conditions set forth in the Equity Plan and the applicable award agreement thereunder. The Option shall have an exercise price equal to the closing price of a share of common stock of the Company on the Grant Date and shall vest and become exercisable as follows: twenty-five percent (25%) of the shares subject to the Option shall vest on the first anniversary of the Grant Date and an additional twenty-five percent (25%) of the shares subject to the Option shall vest and become exercisable on each of the second, third and fourth anniversaries thereafter; provided that Executive remains employed by the Company (and/or continues to provide services to the Company as a consultant) through each applicable vesting date.

3.6 Expense Reimbursements. The Company shall reimburse Executive for all reasonable business expenses Executive incurs in conducting his duties hereunder, pursuant to the Company's usual expense reimbursement policies, but in no event later than thirty (30) days after the end of the calendar month following the month in which such expenses were incurred by Executive; provided that Executive supplies the appropriate substantiation for such expenses no later than the end of the calendar month following the month in which such expenses were incurred by Executive.

3.7 Changes to Compensation. Executive's compensation shall be reviewed periodically and may be changed from time to time in the Company's sole discretion.

3.8 Employment Taxes. All of Executive's compensation shall be subject to customary withholding taxes and any other employment taxes as are commonly required to be collected or withheld by the Company.

3.9 Benefits. Executive shall, in accordance with Company policy and the terms of the applicable plan documents, be eligible to participate in benefits under any benefit plan or arrangement that may be in effect from time to time and made available to the Company's senior management employees. Executive shall also be eligible for paid vacation and paid Company holidays in accordance with Company policy.

3.10 Indemnification. The Company shall, to the maximum extent permitted by law, indemnify and hold Executive harmless against any costs and expenses, including reasonable attorneys' fees, judgments, fines, settlements and other amounts incurred in connection with any proceeding arising out of, by reason of or relating to Executive's employment by the Company. The Company shall also advance to Executive any costs and expenses incurred in defending any such proceeding to the maximum extent permitted by law. The Company shall also provide Executive with coverage as a named insured under a directors and officers liability insurance policy maintained for the Company's directors and officers. The Company shall continue to maintain directors and officers liability insurance for the benefit of Executive during the Term and for at least three (3) years following the termination of Executive's employment with the Company. This obligation to provide insurance and indemnify Executive shall survive expiration or termination of this Agreement with respect to proceedings or threatened proceedings based on acts or omissions of Executive occurring during Executive's employment with the Company or with any of its Affiliates. Such obligations shall be binding upon the Company's successors and assigns and shall inure to the benefit of Executive's heirs and personal representatives.

4. TERMINATION.

4.1 Termination by the Company. Executive's employment with the Company is at will and may be terminated by the Company at any time and for any reason, or for no reason, including, but not limited to, under the following conditions. Upon any termination by the Company, Executive agrees to resign all positions, including as an officer and, if applicable, as a director or member of the Board, related to the Company and its parents, subsidiaries and Affiliates.

4.1.1 Termination by the Company for Cause. The Company may terminate Executive's employment under this Agreement for "Cause" (as defined below) by delivery of written notice to Executive. Any notice of termination given pursuant to this Section 4.1.1 shall effect termination as of the date of the notice, or as of such other date as specified in the notice.

4.1.2 Termination by the Company without Cause. The Company may terminate Executive's employment under this Agreement without Cause at any time and for any reason, or for no reason. Such termination shall be effective on the date Executive is so informed, or as otherwise specified by the Company.

4.2 Termination by Executive. Executive's employment with the Company is at will and may be terminated by Executive at any time and for any reason, or for no reason, including, but not limited to, under the following conditions. Upon any termination by Executive, Executive agrees to resign all positions, including as an officer and, if applicable, as a director or member of the Board, related to the Company and its parents, subsidiaries and Affiliates.

4.2.1 Termination by Executive for Good Reason. Executive may terminate his employment under this Agreement for "Good Reason" (as defined below) in accordance with the procedures specified in Section 4.6.2 below.

4.2.2 Termination by Executive Without Good Reason. Executive may terminate Executive's employment hereunder without Good Reason upon thirty (30) days' written notice to the Company.

4.3 Termination for Death or Complete Disability. Executive's employment with the Company shall automatically terminate effective upon the date of Executive's death. In addition, subject to the requirements of applicable law, the Company may terminate Executive's employment due to Executive's Complete Disability (as defined below).

4.4 Termination by Mutual Agreement of the Parties. Executive's employment with the Company may be terminated at any time upon a mutual agreement in writing of the Parties. Any such termination of employment shall have the consequences specified in such agreement.

4.5 Compensation Upon Termination.

4.5.1 Termination due to Death or Complete Disability. If, during the Term, Executive's employment is terminated by the Company on account of Executive's Complete Disability as provided in Section 4.3 or due to Executive's death, the Company shall pay to Executive, or to Executive's heirs, as applicable, Executive's Base Salary and accrued and unused vacation benefits earned through the date of termination at the rate in effect at the time of termination, less standard deductions and withholdings. The Company shall thereafter have no further obligations to Executive and/or to Executive's heirs under this Agreement, except as otherwise provided by law.

4.5.2 Termination by the Company for Cause or by Executive without Good Reason. If, during the Term, Executive's employment is terminated by the Company for Cause, or by Executive without Good Reason, the Company shall pay Executive's Base Salary and accrued and unused vacation benefits earned through the date of termination at the rate in effect at the time of termination, less standard deductions and withholdings. The Company shall thereafter have no further obligations to Executive under this Agreement, except as otherwise provided by law.

4.5.3 Termination by the Company without Cause or by Executive for Good Reason. If, during the Term, Executive's employment is terminated by the Company without Cause or by Executive for Good Reason, the Company shall pay Executive's Base Salary and accrued and unused vacation earned through the date of termination, at the rate in effect at the time of termination, less standard deductions and withholdings. In addition, subject to Executive (a) furnishing to the Company an executed waiver and release of claims in the form attached hereto as **Exhibit A** (or in such other form as may be specified by the Company in order to comply with then-existing legal requirements to effect a valid release of claims) (the ***"Release"***); and (b) allowing the Release to become effective in accordance with its terms, then Executive shall be entitled to the following:

(i) payment of an amount equal to one times (1.0x) Executive's annual Base Salary in effect at the time of termination (but determined prior to any reduction in Base Salary that would give rise to Executive's right to voluntarily resign for "Good Reason" pursuant to Section 4.6.2), less required deductions and withholdings, to be paid in installments over twelve (12) months following the date of Executive's termination in accordance with the Company's payroll practices commencing within sixty (60) days of the date of Executive's termination;

(ii) if the date of Executive's termination is within the thirty (30) days immediately preceding or the twelve (12) months immediately following a Corporate Transaction (as defined below), the vesting of all equity awards granted to Executive prior to the date of termination shall accelerate such that all such awards shall be deemed fully vested and immediately exercisable; and

(iii) continued participation in the medical, dental and vision plans in which Executive (and where applicable, Executive's spouse and dependents) was enrolled as of the date of Executive's termination until the earlier of: (a) the date that is twelve (12) months after the date of Executive's termination, or (b) the date upon which Executive becomes eligible to enroll in any similar plan offered or provided by an employer other than the Company, at the same premium rates and cost sharing as may be charged from time to time for employees generally, as if Executive had continued in employment during such period. Executive agrees to immediately notify the Company in writing in the event Executive becomes eligible to so enroll.

4.6 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

4.6.1 Complete Disability. ***"Complete Disability"*** shall mean the inability of Executive to perform Executive's duties under this Agreement, even with reasonable accommodation, because Executive has become permanently disabled within the meaning of any policy of disability income insurance covering employees of the Company then in force. In the event the Company has no policy of disability income insurance covering employees of the Company in force when Executive becomes disabled, the term ***"Complete Disability"*** shall mean the inability of Executive to perform Executive's duties under this Agreement, whether with or without reasonable accommodation, by reason of any incapacity, physical or mental, which the Company, based upon medical advice or an opinion provided by a licensed physician acceptable to the Company, determines to have incapacitated Executive from satisfactorily performing all of Executive's usual services for the Company, with or without reasonable accommodation, for a period of at least one hundred twenty (120) days during any twelve (12) month period (whether or not consecutive). Based upon such medical advice or opinion, the determination of the Company shall be final and binding and the date such determination is made shall be the date of such Complete Disability for purposes of this Agreement.

4.6.2 Good Reason. ***"Good Reason"*** for Executive to terminate Executive's employment hereunder shall mean the occurrence of any of the following events without Executive's consent:

(i) a change in Executive's title that is accompanied by a material reduction in Executive's duties, authority, or responsibilities relative to Executive's duties, authority, or responsibilities in effect immediately prior to such reduction;

(ii) the relocation of Executive's principal business location to a point that requires a one-way increase of Executive's commuting distance of more than fifty (50) miles; or

(iii) a material reduction by the Company of Executive's Base Salary as initially set forth herein or as the same may be increased from time to time;

(iv) failure of the Company to obtain the agreement from any successor to assume and agree to perform the Company's obligations under this Agreement;

provided, however, that such termination by Executive shall only be deemed for Good Reason pursuant to the foregoing definition if: (A) Executive gives the Company written notice of the intent to terminate for Good Reason within thirty (30) days following the first occurrence of the condition(s) that Executive believes constitutes Good Reason, which notice shall describe such condition(s); (B) the Company fails to remedy such condition(s) within thirty (30) days following receipt of the written notice (the *"**Cure Period**")*; and (C) Executive terminates his employment within thirty (30) days following the end of the Cure Period.

4.6.3 **Cause.** ***"Cause"*** shall mean the occurrence of any of the following events, as determined by the Company, in its sole discretion:

(i) Executive's willful and repeated failure to satisfactorily perform Executive's job duties;

(ii) Executive's willful commission of an act that materially injures the business of the Company;

(iii) Executive's willful refusal or failure to follow lawful and reasonable directions of the Board or the appropriate individual to whom Executive reports;

(iv) Executive's conviction of, or plea of *nolo contendere* to, any felony involving moral turpitude;

(v) Executive's engaging or in any manner participating in any activity which is directly competitive with or injurious to the Company or any of its Affiliates or which violates any material provisions of Sections 2 and/or 5 hereof or the PIIA (as defined in Section 5 and attached hereto as **Exhibit B)**;

(vi) Executive's commission of any fraud against the Company, its Affiliates, employees, agents or customers or use or intentional appropriation for Executive's personal use or benefit of any funds or properties of the Company not authorized by the Board to be so used or appropriated; or

(vii) Executive's material breach of or willful failure to comply with Company policies, including but not limited to equal employment opportunity or harassment policies, insider trading policies, code of ethics or conflict of interest policies, non-disclosure and confidentiality policies, travel and expense policies, workplace violence policies, Sarbanes-Oxley compliance policies, policies governing preparation and approval of financial statements, and/or policies governing the making of financial commitments on behalf of the Company.

4.6.4 Corporate Transaction. A ***"Corporate Transaction"*** is an Acquisition or Asset Transfer of the Company. An ***"Acquisition"*** shall mean (a) any consolidation or merger of the Company with or into any other corporation or other entity or person, or any other corporate reorganization, in which the capital stock of the Company immediately prior to such consolidation, merger or reorganization, represents less than 50% of the voting power of the surviving entity (or, if the surviving entity is a wholly owned subsidiary, its parent) immediately after such consolidation, merger or reorganization; or (b) any transaction or series of related transactions to which the Company is a party in which in excess of fifty percent (50%) of the Company's voting power is transferred; provided that an Acquisition shall not include (x) any consolidation or merger effected exclusively to change the domicile of the Company, or (y) any transaction or series of transactions principally for bona fide equity financing purposes in which cash is received by the Company or any successor or indebtedness of the Company is cancelled or converted or a combination thereof. ***"Asset Transfer"*** shall mean a sale, lease, license or other disposition or all or substantially all of the assets of the Company. Notwithstanding the foregoing, the Transaction shall not be deemed a "Corporate Transaction" under this Agreement.

4.7 Survival of Certain Sections. Sections 2.2, 3.7, 4, 5, 6, 7, 8, 9, 12, 13, 16 and 18 of this Agreement shall survive the termination of this Agreement.

4.8 Parachute Payment. If any payment or benefit (including payments and benefits pursuant to this Agreement) that Executive would receive in connection with a Corporate Transaction from the Company or otherwise ***("Transaction Payment")*** would (a) constitute a ***"Parachute Payment"*** within the meaning of Section 280G of the Internal Revenue Code (the ***"Code"),*** and (b) the net after-tax benefit that Executive would receive by reducing the Transaction Payments to three times the ***"Base Amount,"*** as defined in Section 280G(b)(3) of the Code, (the ***"Parachute Threshold")*** is greater than the net after-tax benefit Executive would receive if the full amount of the Transaction Payments were paid to Executive, then the Transaction Payments payable to Executive shall be reduced (but not below zero) in a nondiscretionary basis in such a way as to minimize the reduction in the economic value deliverable to Executive so that the Transaction Payments due to Executive do not exceed the amount of the Parachute Threshold.

4.9 Application of Section 409A of the Code. Notwithstanding anything to the contrary set forth herein, any payments and benefits provided under this Agreement that constitute "deferred compensation" within the meaning of Section 409A of the Code and the regulations and other guidance thereunder and any state law of similar effect (collectively ***"Section 409A")*** shall not commence if payable by reference to Executive's termination of employment unless and until Executive has also incurred a ***"Separation From Service"*** (as such term is defmed in Treasury Regulation Section 1.409A-1(h), unless the Company reasonably determines that such amounts may be provided to Executive without causing Executive to incur the additional twenty percent (20%) tax under Section 409A.

It is intended that each payment under this Agreement shall constitute a separate payment and each installment of payments provided for in this Agreement shall be treated as a separate payments for purposes of Treasury Regulation Section 1.409A-2(b)(2)(i). For the avoidance of doubt, it is intended that each payment under this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A provided under Treasury Regulation Sections 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9). However, if the Company (or, if applicable, the successor entity thereto) determines that any payments under this Agreement constitute "deferred compensation" under Section 409A and Executive is, on the termination of service, a "specified employee" of the Company or any successor entity thereto, as such term is defined in Section 409A(a)(2)(B)(i) of the Code, then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the such payments shall be delayed until the earlier to occur of: (i) the date that is six months and one day after Executive's Separation From Service, or (ii) the date of Executive's death (such applicable date, the *"**Specified Employee Initial Payment Date**"),* the Company (or the successor entity thereto, as applicable) shall (A) pay to Executive a lump sum amount equal to the sum of the payments that Executive would otherwise have received through the Specified Employee Initial Payment Date if the commencement of the payments had not been so delayed pursuant to this Section and (B) commence paying the balance of the payments in accordance with the applicable payment schedules set forth in this Agreement.

All reimbursements provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A, including, where applicable, the requirement that (a) any reimbursement shall be for expenses incurred during Executive's lifetime (or during a shorter period of time specified in this Agreement), (b) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (c) the reimbursement of an eligible expense shall be made on or before the last day of the calendar year following the year in which the expense is incurred and (d) the right to reimbursement is not subject to liquidation or exchange for another benefit.

5. **CONFIDENTIAL AND PROPRIETARY INFORMATION.**

5.1 As a condition of employment Executive agrees to execute and abide by the Company's Proprietary Information and Inventions Agreement ***("PIIA")*** a copy of which is attached hereto as **Exhibit B.**

5.2 Executive recognizes that Executive's employment with the Company will involve contact with information of substantial value to the Company, which is not generally known in the trade, and which gives the Company an advantage over its competitors who do not know or use it, including but not limited to, techniques, designs, drawings, processes, inventions know how, strategies, marketing, and/or advertising plans or arrangements, developments, equipment, prototypes, sales, supplier, service provider, vendor, distributor and customer information, and business and financial information relating to the business, products, services, practices and techniques of the Company, (hereinafter referred to as *"**Confidential and Proprietary Information**").* Executive shall at all times regard and preserve as confidential such Confidential and Proprietary Information obtained by Executive from whatever source and shall not, either during Executive's employment with the Company or thereafter, publish or disclose any part of such Confidential and Proprietary Information in any manner at any time, or use the same except on behalf of the Company, without the prior written consent of the Company.

6. ASSIGNMENT AND BINDING EFFECT.

This Agreement shall be binding upon and inure to the benefit of Executive and Executive's heirs, executors, personal representatives, assigns, administrators and legal representatives. Because of the unique and personal nature of Executive's duties under this Agreement, neither this Agreement nor any rights or obligations under this Agreement shall be assignable by Executive. This Agreement shall be binding upon and inure to the benefit of the Company and its successors, assigns and legal representatives. Any such successor of the Company shall be deemed substituted for the Company under the terms of this Agreement for all purposes. For this purpose, "successor" means any person, firm, corporation or other business entity which at any tie, whether by purchase, merger or otherwise, directly or indirectly acquires all or substantially all of the assets or business of the Company.

7. NOTICES.

All notices or demands of any kind required or permitted to be given by the Company or Executive under this Agreement shall be given in writing and shall be personally delivered (and receipted for) or faxed during normal business hours or mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Company:

TelCare Acquisition, LLC
150 Baker Avenue Extension
Suite 300
Concord, MA 01742

With a copy to:

1000 Cedar Hollow Rd,
Malvern, PA 19355

Attention: Legal Department

If to Executive:

Paula LeClair

Any such written notice shall be deemed given on the earlier of the date on which such notice is personally delivered or three (3) days after its deposit in the United States mail as specified above. Either Party may change its address for notices by giving notice to the other Party in the manner specified in this section.

8. CHOICE OF LAW.

This Agreement is made in the State of Pennsylvania. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Pennsylvania. Any disputes or proceedings regarding this Agreement shall be conducted in a venue closest to the corporate offices of the Company.

9. INTEGRATION.

This Agreement, including Exhibit A and Exhibit B, contains the complete, final and exclusive agreement of the Parties relating to the terms and conditions of Executive's employment and the termination of Executive's employment, and supersedes all prior and contemporaneous oral and written employment agreements or arrangements between the Parties.

10. AMENDMENT.

This Agreement cannot be amended or modified except by a written agreement signed by Executive and the Company.

11. WAIVER.

No term, covenant or condition of this Agreement or any breach thereof shall be deemed waived, except with the written consent of the Party against whom the wavier is claimed, and any waiver or any such term, covenant, condition or breach shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other term, covenant, condition or breach.

12. SEVERABILITY.

The finding by a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such court shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision, which most accurately represents the Parties' intention with respect to the invalid or unenforceable term, or provision.

13. INTERPRETATION; CONSTRUCTION.

The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but Executive has been encouraged to consult with, and has consulted with, Executive's own independent counsel and tax advisors with respect to the terms of this Agreement. The Parties acknowledge that each Party and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement.

14. REPRESENTATIONS AND WARRANTIES.

Executive represents and warrants that Executive is not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that Executive's execution and performance of this Agreement shall not violate or breach any other agreements between Executive and any other person or entity.

15. COUNTERPARTS.

This Agreement may be executed in two counterparts, each of which shall be deemed an original, all of which together shall contribute one and the same instrument.

16. TRADE SECRETS OF OTHERS.

It is the understanding of both the Company and Executive that Executive shall not divulge to the Company and/or its subsidiaries any confidential information or trade secrets belonging to others, including Executive's former employers, nor shall the Company and/or its Affiliates seek to elicit from Executive any such information. Consistent with the foregoing, Executive shall not provide to the Company and/or its Affiliates, and the Company and/or its Affiliates shall not request, any documents or copies of documents containing such information.

17. ADVERTISING WAIVER.

Executive agrees to permit the Company, and persons or other organizations authorized by the Company, to use, publish and distribute advertising or sales promotional literature concerning the products and/or services of the Company, or the machinery and equipment used in the provision thereof, in which Executive's name and/or pictures of Executive taken in the course of Executive's provision of services to the Company appear. Executive hereby waives and releases any claim or right Executive may otherwise have arising out of such use, publication or distribution.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

BIOTELEMETRY CARE MANAGEMENT, LLC

By: /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

EXECUTIVE:

/s/ Paula LeClair
PAULA LECLAIR

Dated: 11/29/16

[Signature Page to LeClair Employment Agreement]

EXHIBIT A

RELEASE AND WAIVER OF CLAIMS

TO BE SIGNED FOLLOWING TERMINATION WITHOUT CAUSE OR RESIGNATION FOR GOOD REASON

In consideration of the payments and other benefits set forth in the Employment Agreement of , 2016, to which this form is attached, I, Paula LeClair, hereby furnish **TELCARE ACQUISITION, LLC** (the ***"Company"***), with the following release and waiver (***"Release and Waiver"***).

In exchange for the consideration provided to me by the Employment Agreement that I am not otherwise entitled to receive, I hereby generally and completely release the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, Affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to my signing this Release and Waiver. This general release includes, but is not limited to: (1) all claims arising out of or in any way related to my employment with the Company or the termination of that employment; (2) all claims related to my compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (4) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("***ADEA***"), and the Maryland Fair Employment Practices Act: Article 49B of the Code of Maryland (as amended) ("***PHRA***"). Notwithstanding the foregoing, I shall be entitled to enforce the terms of any employee benefit plan of the Company in which I am, on the date of this Release and Waiver, due a benefit, and to be indemnified by the Company as to any liability, cost or expense for which I would have been indemnified during employment, in accordance with the bylaws of the Company, for actions taken on behalf of the Company within the scope of my employment with the Company.

I acknowledge that, among other rights, I am waiving and releasing any rights I may have under ADEA, that this Release and Waiver is knowing and voluntary, and that the consideration given for this Release and Waiver is in addition to anything of value to which I was already entitled as an executive of the Company. If I am forty (40) years of age or older upon execution of this Release and Waiver, I further acknowledge that I have been advised, as required by the Older Workers Benefit Protection Act, that: (a) the release and waiver granted herein does not relate to claims under the ADEA which may arise after this Release and Waiver is executed; (b) I should consult with an attorney prior to executing this Release and Waiver; and (c) I have

twenty-one (21) days from the date of termination of my employment with the Company in which to consider this Release and Waiver (although I may choose voluntarily to execute this Release and Waiver earlier); (d) I have seven (7) days following the execution of this Release and Waiver to revoke my consent to this Release and Waiver; and (e) this Release and Waiver shall not be effective until the seven (7) day revocation period has expired without my having previously revoked this Release and Waiver.

I acknowledge my continuing obligations under my Proprietary Information and Inventions Agreement. Pursuant to the Proprietary Information and Inventions Agreement I understand that among other things, I must not use or disclose any confidential or proprietary information of the Company and I must immediately return all Company property and documents (including all embodiments of proprietary information) and all copies thereof in my possession or control. I understand and agree that my right to the severance pay I am receiving in exchange for my agreement to the terms of this Release and Waiver is contingent upon my continued compliance with my Proprietary Information and Inventions Agreement.

I agree, covenant and promise that I will not in any way communicate the terms of this Release and Waiver to any person other than my immediate family, my attorney and my financial consultant or when necessary to enforce this Release and Waiver or to advise a third party of my obligations under this Release and Waiver. I agree not to disparage the name, business reputation or business practices of the Company, or any of its subsidiaries or Affiliates, or their respective officers, employees and directors.

This Release and Waiver constitutes the complete, final and exclusive embodiment of the entire agreement between the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company that is not expressly stated herein. This Release and Waiver may only be modified by a writing signed by both me and a duly authorized officer of the Company.

Date: _____ By: _____

EXHIBIT B

TelCare Acquisition, LLC's Proprietary Information and Inventions Agreement

Exhibit 10.12

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT (this "Agreement") is entered into as of December 1, 2016 by and among BioTelemetry, Inc., a Delaware corporation (the "Borrower"), the other Persons party hereto that are designated as a "Credit Party" on the signature pages hereof, Healthcare Financial Solutions, LLC, as Agent and as a Lender, and the other Lenders signatory hereto.

W I T N E S S E T H:

WHEREAS, Borrower, the other Credit Parties, Agent and the other Lenders from time to time party thereto are parties to that certain Credit Agreement dated as of December 30, 2014 (as amended, restated, supplemented or modified from time to time, the "Credit Agreement"); unless otherwise defined herein, capitalized terms used herein that are not otherwise defined herein shall have the respective meanings assigned to such terms in the Credit Agreement; and

WHEREAS, the Credit Parties have requested that the Agent and Lenders amend certain provisions of the Credit Agreement, and, subject to the satisfaction of the conditions set forth herein, the Agent and the Lenders signatory hereto are willing to do so, on the terms set forth herein.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

1. Amendments to Credit Agreement. Upon satisfaction of the conditions set forth in Section 2 hereof, the Credit Agreement is hereby amended as follows:

(a) Section 5.4 of the Credit Agreement is hereby amended by (i) deleting the "and" at the end of clause (m) thereto, (ii) replacing the "." at the end of clause (n) thereto with "; and" and (iii) adding a new section (o) thereto which shall read in its entirety as follows:

"(n) BioTelemetry, Inc. may invest up to $12,000,000 in the aggregate in BioTelemetry Care Management, LLC and Telcare Acquisition, LLC to be used by such parties to purchase the stock of Telcare Medical Supply, Inc. and to purchase certain assets from Telcare, Inc., as long as such amount is used promptly upon receipt thereof by BioTelemetry Care Management, LLC and Telcare Acquisition, LLC, as applicable to consummate the Telcare Acquisition (and BioTelemetry Care Management, LLC and Telcare Acquisition, LLC may consummate the Telcare Acquisition)."

(b) Section 5.5 of the Credit Agreement is hereby amended by (i) deleting the "and" at the end of clause (m) thereto, (ii) replacing the "." at the end of clause (n) thereto with "; and" and (iii) adding a new section (o) thereto which shall read in its entirety as follows:

"(o) BioTelemetry Care Management, LLC and Telcare Acquisition, LLC may incur (and permit to exist) the Telcare Earnout."

(c) Section 5.11 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

"Section 5.11 Restricted Payments. No Credit Party shall, and no Credit Party shall suffer or permit any of its Subsidiaries to, (i) declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any Stock or Stock Equivalent, (ii) purchase, redeem or otherwise acquire for value any Stock or Stock Equivalent now or hereafter outstanding, or (iii) make any payment on or with respect to the Danish Earnout *and the Telcare Earnout* (the items described in clauses (i), (ii) and (iii) above are referred to as "Restricted Payments"); except that any Wholly-Owned Subsidiary of the Borrower may declare and pay dividends to the Borrower or any Wholly-Owned Subsidiary of the Borrower, and except that:

(a) the Borrower may redeem from officers, directors and employees Stock and Stock Equivalents provided all of the following conditions are satisfied:

(i) no Default or Event of Default has occurred and is continuing or would arise as a result of such Restricted Payment;

(ii) after giving effect to such Restricted Payment, the Credit Parties are in compliance on a pro forma basis with the covenants set forth in Article VI, recomputed for the most recent Fiscal Quarter for which financial statements have been delivered;

(iii) the aggregate Restricted Payments permitted (x) in any Fiscal Year of the Borrower shall not exceed $100,000 and (y) during the term of this Agreement shall not exceed $250,000; and

(iv) after giving effect to such Restricted Payment, Availability is not less than $3,000,000;

(b) dividends by any Subsidiary of the Borrower to any Credit Party;

(c) dividends payable solely in common Stock;

(d) the Borrower may purchase, redeem or otherwise acquire for value any Stock or Stock Equivalent in an aggregate amount not to exceed $1,000,000 in connection with rescinded purchases as a result of an inadvertent failure to register the sale offer and issuance of approximately 1,000,000 shares under its 2008 Employee Stock Purchase Plan with the SEC;

(e) Braemar Manufacturing, LLC or BT ApS may make payments on or with respect to the Danish Earnout provided all of the following conditions are satisfied:

(i) no Default or Event of Default has occurred and is continuing or would arise as a result of such Restricted Payment;

(ii) after giving effect to such Restricted Payment, the Credit Parties are in compliance on a pro forma basis with the covenant set forth in Section 6.2, recomputed for the most recent Fiscal Quarter for which financial statements have been delivered; and

(iii) after giving effect to such Restricted Payment, Availability is not less than $3,000,000; and

(f) BioTelemetry, Inc., BioTelemetry Care Management, LLC and Telcare Acquisition, LLC may make payments on or with respect to the Telcare Earnout provided all of the following conditions are satisfied:

(i) no Default or Event of Default has occurred and is continuing or would arise as a result of such Restricted Payment;

(ii) after giving effect to such Restricted Payment, the Credit Parties are in compliance on a pro forma basis with the covenant set forth in Section 6.2, recomputed for the most recent Fiscal Quarter for which financial statements have been delivered; and

(iii) after giving effect to such Restricted Payment, Availability is not less than $3,000,000."

(d) Section 11.1 of the Credit Agreement is hereby amended by adding the following definitions in the correct alphabetical order:

""**Telcare Earnout**" means "earnout" payments made pursuant to Section 1.08 of the Telcare Acquisition Agreement as in effect on December 1, 2016 made to or at the direction of Borrower, after the consummation of the Telcare Acquisition in an aggregate amount not to exceed $5,000,000."

""**Telcare Acquisition**" means the acquisition by BioTelemetry Care Management, LLC of substantially all of the equity interests of Telcare Medical Supply, Inc. and the acquisition by Telcare Acquisition, LLC of certain assets from Telcare, Inc., pursuant to that certain Share and Asset Purchase Agreement, dated as of December 1, 2016 by and among Telcare Acquisition, LLC, as assets buyer, BioTelemetry Care Management, LLC, as shares buyer, BioTelemetry, Inc., as parent and Telcare, Inc., as seller (the "**Telcare Acquisition Agreement**"), as long as (i) the Borrower has complied with the conditions set forth in clauses (a)-(e) of the definition of Permitted Acquisition with respect to such acquisition, (ii) the total consideration paid or payable for such acquisition (including all transaction costs, Indebtedness incurred, assumed and/or reflected on a consolidated balance sheet of the Credit Parties and their Subsidiaries after giving effect to such Acquisition and the maximum amount of all deferred payments) at the closing thereof does not exceed $12,000,000 and (iii) such acquisition is fully consummated on or prior to December 1, 2016."

(e) Clause (f) of the definition of "**Permitted Acquisition**" set forth in Section 11.1 of the Credit Agreement is hereby amended and restated to read in its entirety as follows:

> "(f) the total consideration paid or payable (including all transaction costs, Indebtedness incurred, assumed and/or reflected on a consolidated balance sheet of the Credit Parties and their Subsidiaries after giving effect to such Acquisition and the maximum amount of all deferred payments) (such amounts, collectively, the "Acquisition Consideration") for (i) all Acquisitions of the Stock of a Target organized under the laws of any State, or of a Target substantially all of the Property of which is located in States, in the United States or the District of Columbia or of Property which is located within the United States consummated during (x) any Fiscal Year shall not exceed $10,000,000 in the aggregate for all such Acquisitions and (y) the term of this Agreement shall not exceed $20,000,000 in the aggregate for all such Acquisitions and (ii) all Acquisitions other than acquisitions of the Stock of a Target organized under the laws of any State, or of a Target substantially all of the Property of which is located in States, in the United States or the District of Columbia or of Property which is located within the United States consummated during the term of the Agreement shall not exceed $1,000,000 in the aggregate for all such Acquisitions; provided that the Acquisition Consideration paid or payable with respect to the Virtualscopics Acquisition *and the Telcare Acquisition* shall not be taken into account for determining compliance with this clause (f)."

(f) Exhibit 4.2(b) to the Credit Agreement is hereby amended and restated in its entirety as set forth on Exhibit 4.2(b) hereto.

2. Conditions. The effectiveness of this Agreement is subject to the satisfaction of the following conditions precedent:

(a) the execution and delivery of this Agreement by each Credit Party, Agent and the Required Lenders; and

(b) Agent shall have received such other documents, opinions or materials reasonably requested by Agent, in form and substance reasonably acceptable to Agent.

3. Representations and Warranties. Each Credit Party hereby represents and warrants to Agent and each Lender as follows:

(a) the execution, delivery and performance by each of the Credit Parties of this Agreement have been duly authorized by all necessary action, and do not and will not:

(i) contravene the terms of any of that Person's Organization Documents;

(ii) conflict with or result in any material breach or contravention of, or result in the creation of any Lien under, any document evidencing any material Contractual Obligation to which such Person is a party or any order, injunction, writ or decree of any Governmental Authority to which such Person or its Property is subject; or

(iii) violate any material Requirement of Law in any material respect;

(b) such Credit Party has the power and authority to execute, deliver and perform its obligations under this Agreement and the Credit Agreement, as amended hereby;

(c) this Agreement constitutes the legal, valid and binding obligations of each such Person which is a party hereto enforceable against such Person in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability;

(d) after giving effect to this Agreement and the transactions contemplated hereby, each of the representations and warranties contained in the Credit Agreement and the other Loan Documents is true and correct in all material respects on and as of the date hereof as if made on the date hereof (except for representations and warranties that speak as of a specific date, which shall be true and correct as of such specific date); and

(e) no Default or Event of Default exists or would result from the transactions contemplated by this Agreement.

4. No Modification. Except as expressly set forth herein, nothing contained herein shall be deemed to constitute a waiver of compliance with any term or condition contained in the Credit Agreement or any of the other Loan Documents or constitute a course of conduct or dealing among the parties. Except as expressly stated herein, the Agent and Lenders reserve all rights, privileges and remedies under the Loan Documents. Except as amended or consented to hereby, the Credit Agreement and other Loan Documents remain unmodified and in full force and effect. All references in the Loan Documents to the Credit Agreement shall be deemed to be references to the Credit Agreement as modified hereby. This Agreement shall constitute a Loan Document.

5. Counterparts. This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Delivery of an executed signature page of this Agreement by facsimile transmission or Electronic Transmission shall be as effective as delivery of a manually executed counterpart hereof.

6. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that none of the Credit Parties may assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Agent.

7. Governing Law. The laws of the State of New York shall govern all matters arising out of, in connection with or relating to this Agreement, including, without limitation, its validity, interpretation, construction, performance and enforcement (including, without limitation, any claims sounding in contract or tort law arising out of the subject matter hereof and any determinations with respect to post-judgment interest).

8. Severability. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

9. Captions. The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

10. Reaffirmation. Each of the Credit Parties as debtor, grantor, pledgor, guarantor, assignor, or in other any other similar capacity in which such Credit Party grants liens or security interests in its property or otherwise acts as accommodation party or guarantor, as the case may be, hereby (i) ratifies and reaffirms all of its payment and performance obligations, contingent or otherwise, under each of the Loan Documents to which it is a party (after giving effect hereto) and (ii) to the extent such Credit Party granted liens on or security interests in any of its property pursuant to any such Loan Document as security for or otherwise guaranteed the Borrower's Obligations under or with respect to the Loan Documents, ratifies and reaffirms such guarantee and grant of security interests and liens and confirms and agrees that such security interests and liens hereafter secure all of the Obligations as amended hereby. Each of the Credit Parties hereby consents to this Agreement and acknowledges that each of the Loan Documents remains in full force and effect and is hereby ratified and reaffirmed. The execution of this Agreement shall not operate as a waiver of any right, power or remedy of the Agent or Lenders, constitute a waiver of any provision of any of the Loan Documents or serve to effect a novation of the Obligations.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date set forth above.

BORROWER:

BIOTELEMETRY, INC.

By: /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

CREDIT PARTIES:

CARDIONET, LLC

By: /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

BRAEMAR MANUFACTURING, LLC

By: /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

CARDIOCORE LAB, LLC

By: /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

LTHSE, LLC

By: /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

UNIVERSAL MEDICAL LABORATORY, INC.

By: /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

ECG SCANNING & MEDICAL SERVICES LLC

By: /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

HEART-CARE CORPORATION OF AMERICA, INC.

By: /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

MEDNET HEALTHCARE TECHNOLOGIES, INC.

By: /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

UNIVERSAL MEDICAL INC.

By: /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

VIRTUALSCOPICS, LLC

By: /s/ Peter Ferola
Name: Peter Ferola
Title: Secretary

AGENT AND LENDERS:

HEALTHCARE FINANCIAL SOLUTIONS, LLC,
as Agent and as a Lender

By: /s/ Danielle Katz
Name: Danielle Katz
Title: Its Duly Authorized Signatory

MIDCAP FINANCIAL TRUST

By: Apollo Capital Management, L.P.,
its investment manager

By: Apollo Capital Management GP, LLC,
its general partner

By: /s/ Maurice Amsellem
Name: Maurice Amsellem
Title: Authorized Signatory

MIDCAP FUNDING IX TRUST

By: Apollo Capital Management, L.P.,
its investment manager

By: Apollo Capital Management GP, LLC,
its general partner

By: /s/ Maurice Amsellem
Name: Maurice Amsellem
Title: Authorized Signatory

MIDCAP FUNDING XVI TRUST

By: Apollo Capital Management, L.P.,
its investment manager

By: Apollo Capital Management GP, LLC,
its general partner

By: /s/ Maurice Amsellem
Name: Maurice Amsellem
Title: Authorized Signatory

MML I LTD

By: Apollo Capital Management, L.P.,
its investment manager

By: Apollo Capital Management GP, LLC,
its general partner

By: /s/ Maurice Amsellem
Name: Maurice Amsellem
Title: Authorized Signatory

EXHIBIT 4.2(b)
TO
CREDIT AGREEMENT

FORM OF COMPLIANCE CERTIFICATE

Date: , 201

This Compliance Certificate (this "Certificate") is given by BioTelemetry, Inc., a Delaware corporation (the "Borrower"), pursuant to Section 4.2(b) of that certain Credit Agreement dated as of December 30, 2014, among the Borrower, the other Credit Parties party thereto, General Electric Capital Corporation, as administrative agent (in such capacity, "Agent"), and as a Lender, and the additional Lenders party thereto (as such agreement may be amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein without definition shall have the meanings set forth in the Credit Agreement.

The officer executing this Certificate is a Responsible Officer of the Borrower and as such is duly authorized to execute and deliver this Certificate on behalf of the Borrower. By executing this Certificate, such officer hereby certifies to Agent, the Lenders and the L/C Issuers, on behalf of the Borrower, that:

(a) the financial statements delivered with this Certificate in accordance with Section 4.1(a) and/or 4.1(b) of the Credit Agreement are correct and complete and fairly present, in all material respects, in accordance with GAAP the financial position and the results of operations of the Borrower and its Subsidiaries as of the dates of and for the periods covered by such financial statements (subject, in the case of interim financial statements, to normal year-end adjustments and the absence of footnote disclosure);

(b) ***[Borrower Note: Include this paragraph only with respect to Certificates delivered for the last fiscal month of each Fiscal Quarter]*** Annex A hereto includes a correct calculation of EBITDA, Adjusted EBITDA, Cash Flow and Net Interest Expense for the relevant periods ended , 201 ; Annex B includes a correct calculation of each of the financial covenants contained in Section 5.20 and Article VI of the Credit Agreement for the relevant periods ended , 201] ***[Borrower Note: Include following re Excess Cash Flow only for Certificate delivered for end of applicable Fiscal Years]*** [and Excess Cash Flow (including a correct calculation of any required prepayment) for the Fiscal Year ended **[December 31, 201_]**;

(c) ***[Borrower Note: Include this paragraph only with respect to Certificates delivered for the last fiscal month of each Fiscal Quarter]*** as of , 201 , no Credit Party or any Subsidiary of any Credit Party owns any Margin Stock **[, except as specified on Annex C attached hereto]**.

(d) to the best of such officer's knowledge, no Default or Event of Default exists **[except as specified on Annex C attached hereto];**

(e) since the Closing Date and except as disclosed in prior Certificates delivered to Agent, no Credit Party and no Subsidiary of any Credit Party has:

(i) changed its legal name, identity, jurisdiction of incorporation, organization or formation or organizational structure or formed or acquired any Subsidiary except as follows: ;

(ii) acquired all or substantially all of the assets of, or merged or consolidated with or into, any Person, except as follows: ; or

(iii) changed its address or otherwise relocated, acquired fee simple title to any real property or entered into any real property leases, except as follows: .

IN WITNESS WHEREOF, the Borrower has caused this Certificate to be executed by one of its Responsible Officers this day of , 201 .

Name:
Title:

Note: Unless otherwise specified, all financial covenants are calculated for the Borrower and its Subsidiaries on a consolidated basis in accordance with GAAP. All calculations are without duplication.

ANNEX A
TO COMPLIANCE CERTIFICATE
Selected Financial Definitions and Calculations

I. Definition/Calculation of EBITDA/Adjusted EBITDA

EBITDA is defined as follows:

A. Net income (or loss) for the applicable period of measurement of the Borrower and its Subsidiaries on a consolidated basis determined in accordance with GAAP

Less (or plus), to the extent included above in net income (or loss) for such period:

(1) the income (or loss) of any Person which is not a Subsidiary of the Borrower, except to the extent of the amount of dividends or other distributions actually paid to the Borrower or any of its Subsidiaries in cash by such Person during such period and the payment of dividends or similar distributions by that Person was not at the time subject to the consent of a third party or prohibited by operation of the terms of its charter or of any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Person

(2) the income (or loss) of any Person accrued prior to the date it becomes a Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Subsidiaries or that Person's assets are acquired by the Borrower or any of its Subsidiaries

(3) gains (or losses) from the sale, exchange, transfer or other disposition of Property or assets not in the Ordinary Course of Business of the Borrower and its Subsidiaries, and related tax effects in accordance with GAAP

(4) any other extraordinary gains (or losses) of the Borrower or its Subsidiaries, and related tax effects in accordance with GAAP

(5) income tax refunds received, in excess of income tax liabilities for such period

(6) income (or loss) from the early extinguishment of Indebtedness, net of related tax effects

B. Total exclusions from (additions to) net income (sum of (1)-(6) above)

Plus, without duplication, to the extent included in the calculation of net income (or loss) for such period (unless otherwise specified below):

(1) Depreciation and amortization

(2) Interest expense (less interest income) (net of realized gains and losses under permitted Rate Contracts with respect thereto)

(3) All taxes on or measured by income (excluding income tax refunds)

(4) All non-cash losses or expenses (or minus non-cash income or gain), including, without limitation, non-cash adjustments resulting from the application of purchase accounting, non-cash expenses arising from grants of stock appreciation rights, stock options or restricted stock, non-cash impairment of good will and other long term intangible assets, unrealized non-cash losses (or minus unrealized non-cash gains) under Rate Contracts, unrealized non-cash losses (or minus unrealized non-cash gains) in such period due solely to fluctuations in currency values, but excluding any non-cash loss or expense (a) that is an accrual of a reserve for a cash expenditure or payment to be made, or anticipated to be made, in a future period or (b) relating to a write-down, write off or reserve with respect to Accounts and Inventory

(5) Fees and expenses incurred in connection with the negotiation, execution and delivery on the Closing Date of the Loan Documents, to the extent disclosed to Agent

(6) Fees and reasonable and documented out-of-pocket expenses incurred in connection with any amendments, waivers, or forbearances to the Credit Agreement and the other Loan Documents to the extent such fees and expenses have been disclosed to Agent

(7) Fees and expenses incurred in connection with (i) a Permitted Acquisition (including any refinancing of (or amendment to) any Indebtedness acquired or assumed in connection therewith) or an Investment not in the ordinary course of business, (ii) a Disposition not in the ordinary course of business, (iii) Indebtedness incurred or Stock issued, in each instance in the foregoing clauses (i), (ii) and (iii), to the extent permitted under the Credit Agreement, but limited to an amount not to exceed $100,000 for any four consecutive Fiscal Quarter period for acquisitions not consummated, and/or (iv) an Event of Loss

(8) Proceeds of business interruption insurance received in cash during such period to the extent not included in the calculation of net income (or loss) for such period

(9) Other One-time non-recurring or unusual expenses including, without limitation, severance costs, lease termination costs, relocation costs, restructuring charges and other one-time expenses not otherwise added back to EBITDA and certified as such in a certificate of a Responsible Officer of the Borrower describing such expenses in reasonable detail (collectively, "Non-Recurring Expenses") in an aggregate amount not to exceed ten percent (15%) of EBITDA (calculated before the addback for Non-Recurring Expenses in the aggregate for any four consecutive Fiscal Quarter period

C. Total add backs to net income (sum of (1)-(8) above):

D. EBITDA (result of A minus B plus C above) (1)

Calculation of Adjusted EBITDA

Adjusted EBITDA is defined as follows:

(i) EBITDA (per D above)

(ii) with respect to Targets owned by the Borrower for which the Agent has received financial statements pursuant to Section 4.1(b) for less than twelve (12) months, Pro Forma EBITDA allocated to each period prior to the acquisition thereof included in the trailing twelve (12) month period for which Adjusted EBITDA is being calculated; ***[Borrower Note: If more than one Target has been acquired, attach calculation of Pro Forma EBITDA for each Target]***

(iii) with respect to any Disposition consummated within the period in question, EBITDA attributable to the Subsidiary, profit centers, or other asset which is the subject of such Disposition from the beginning of such period until the date of consummation of such Disposition

Adjusted EBITDA (result of (i) plus (ii) minus (iii) above)

"Pro Forma EBITDA" means, with respect to any Target, EBITDA for such Target for the most recent twelve (12) month period preceding the acquisition thereof, adjusted by verifiable expense reductions, including excess owner compensation, if any, calculated on month by month basis, to the extent such adjustments (collectively, "Pro Forma Acquisition Adjustments") (a) are expected to be realized within twelve (12) months following the acquisition of such Target, (b) shall be certified as such in a certificate of a Responsible Officer of the Borrower describing such reductions in reasonable detail, and (c) do not exceed 10% of EBITDA in the aggregate for all Permitted Acquisitions in any four consecutive Fiscal Quarter periods, in each case calculated by the Borrower and consented to by Agent.

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(1) For purposes of calculating EBITDA as of any date of measurement ending on or before one year anniversary of the Closing Date, EBITDA for any period set forth below included in the twelve month period ending on such date shall be deemed to equal the amount set forth below for such period:

Period:	**Pre-Closing EBITDA**
Fiscal Quarter ending March 31, 2014	$3,039,690
Fiscal Quarter ending June 30, 2014	$5,128,261
Fiscal Quarter ending September 30, 2014	$6,042,932
Fiscal month ending October 31, 2014	$2,135,968
Fiscal month ending November 30, 2014	$2,192,336
December 1, 2014 through Closing Date	EBITDA calculated in a manner consistent with the calculation of EBITDA for preceding periods.

II. Definition/Calculation of Cash Flow

Cash Flow (used for calculating Excess Cash Flow and Fixed Charge Coverage Ratio) is defined as:

A. EBITDA (per definition I above)

Less unfinanced net capital expenditures:

(1) Gross capital expenditures: the aggregate of all expenditures and other obligations for the period of measurement which should be capitalized under GAAP

Less, in each case, to the extent included in (1) above:

(a) Net Proceeds from Dispositions

(b) Expenditures financed with cash proceeds from Stock issuances

(c) All insurance proceeds and condemnation awards received on account of any Event of Loss to the extent any such amounts are actually applied to replace, repair or reconstruct the damaged Property or Property affected by the condemnation or taking in connection with such Event of Loss

(d) That portion of the purchase price of a Target in a Permitted Acquisition that constitutes a capital expenditure under GAAP

(2) Total deductions from gross capital expenditures (sum of (a)-(d) above)

(3) Net capital expenditures (result of (1) minus (2) above)

(4) Less: Portion of capital expenditures financed under Capital Leases or other Indebtedness (Indebtedness, for this purpose, does not include drawings under the Revolving Loan Commitment)

B. Unfinanced capital expenditures (result of (3) minus (4) above)

Cash Flow (result of A minus B above)

III. Definition/Calculation of Net Interest Expense

Net Interest Expense (used for calculating Fixed Charge Coverage Ratio and Excess Cash Flow) is defined as(2):

A. Gross interest expense for such period paid or required to be paid in cash (including all commissions, discounts, fees and other charges in connection with letters of credit and similar instruments and net amounts paid or payable and/or received or receivable under permitted Rate Contracts in respect of interest rates) for Holdings and its Subsidiaries on a consolidated basis

B. Less: Interest income for such period

Net Interest Expense (result of A minus B above)

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(2) Net Interest Expense (a) for the measurement period ending on March 31, 2015, shall equal Net Interest Expense during the period from December 1, 2014 through March 31, 2015 multiplied by 12/4, (b) for the measurement period ending on June 30, 2015, shall equal Net Interest Expense during the period from December 1, 2014 through June 30, 2015 multiplied by 12/7 and (c) for the measurement period ending on September 30, 2015, shall equal Net Interest Expense during the period from December 1, 2014 through September 30, 2015 multiplied by 12/10.

ANNEX B
TO COMPLIANCE CERTIFICATE
Financial Covenant and Excess Cash Flow Calculations

I. Section 6.1: Leverage Ratio

Leverage Ratio is defined as follows:

A. The aggregate principal balance of outstanding Revolving Loans and Swing Loans as of the date of measurement

Plus:

(1) L/C Reimbursement Obligations as of date of measurement then due and payable

(2) Outstanding principal balance of the Term Loan as of date of measurement

(3) All earnout obligations (including, without limitation, the Danish Earnout *and the Telcare Earnout*) to the extent required by GAAP to be reflected as a liability on the consolidated balance sheet of the Borrower

(4) Principal portion of Capital Lease Obligations and Indebtedness secured by purchase money Liens as of date of measurement

(5) Without duplication, all other Funded Indebtedness of Borrower and its Subsidiaries as of date of measurement

B. Consolidated Total Indebtedness (sum of A plus sum of (1)-(5) above)

C. Adjusted EBITDA for the twelve month period ending on the date of measurement (per I of Annex A)

Leverage Ratio (result of B divided by C above)

Permitted maximum Leverage Ratio

In Compliance Yes/No

II. Section 6.2: Fixed Charge Coverage Ratio

Fixed Charge Coverage Ratio is defined as follows:

A. Cash Flow (per II of Annex A)

Less:

(1) Taxes on or measured by income paid or payable in cash with respect to such period

B. Total deductions from Cash Flow ((1) above)

C. Net Cash Flow (result of A minus B above)

Fixed charges are defined as:

D. Net Interest Expense (per III of Annex A)

Plus:

(1) Scheduled principal payments of Indebtedness during such period reduced by prepayments as permitted by the Credit Agreement

(2) Restricted Payments described in Section 5.11(a) paid in cash during such period

(3) All payments made with respect to the Danish Earnout

(4) All payments made with respect to the Telcare Earnout

E. Total fixed charges (result of D plus (1)-*(4)* above)

Fixed Charge Coverage Ratio (result of C divided by E above)

Required minimum Fixed Charge Coverage Ratio

In Compliance Yes/No

For purposes of calculating Fixed Charge Coverage Ratio as of any date on or prior to December 31, 2015, fixed charges shall be calculated as follows:

a. Scheduled principal payments of the Term Loan shall be deemed to be $1,250,000 for each such measurement period.

b. Scheduled principal payments of all Indebtedness other than the Term Loan and Prior Indebtedness shall be calculated using the actual amounts in respect thereof during each such measurement period.

c. Taxes on or measured by income paid or required to be paid in cash and Restricted Payments made or which should have been made pursuant to Section 5.11(a) of the Credit Agreement (a) for the measurement period ending on March 31, 2015, shall equal such Taxes paid in cash or required to be paid in cash during the period from December 1, 2014 through March 31, 2015 multiplied by 12/4, for the measurement period ending on June 30, 2015, shall equal such Taxes paid in cash or required to be paid in cash during the period from December 1, 2014 through June 30, 2015 multiplied by 12/7 and (c) for the measurement period ending on September 30, 2015, shall equal such Taxes paid in cash or required to be paid in cash during the period from December 1, 2014 through September 30, 2015 multiplied by 12/10.

d. Restricted Payments described in Section 5.11(a) of the Credit Agreement shall be calculated in each case using the actual amounts paid in cash in respect thereof during each such measurement period.

IV. Excess Cash Flow Calculation ***[Borrower Note: Include ECF calculation only for Certificate delivered for end of applicable Fiscal Years.]***

Excess Cash Flow is defined as follows:

A. Cash Flow (per II of Annex A)

Less, without duplication, and to the extent actually paid in cash, in each case to the extent not financed with proceeds of Stock issuances or Indebtedness (other than Revolving Loans):

(1) Scheduled principal payments with respect to Indebtedness

(2) Net Interest Expense (per III of Annex A)

(3) Taxes on or measured by income

(4) Restricted payments permitted by Section 5.11(a)

(5) Increase in working capital (if any) (see Working Capital Calculation below)

(6) The purchase price paid in cash for all Permitted Acquisitions

(7) Cash addbacks to net income specified in clauses (5), (6), (7) and (9) in the calculation of EBITDA to the extent not reimbursed by a third person

B. Total deductions from Cash Flow (sum of (1)-(7) above)

C. Decrease in working capital (if any) (see Working Capital Calculation below)

D. Excess Cash Flow (result of A minus B plus C above)

E. Required prepayment percentage (see Section 1.8(e) for percentage) **[%]**

F. Required gross prepayment amount (result of D multiplied by E above)

Minus:

G. Voluntary prepayments of the Term Loan during such period, to the extent such prepayments are applied in the same manner as mandatory prepayments

Required prepayment amount (result of F minus G above)

VII. Working Capital Calculation

Decrease (increase) in working capital, for the purposes of the calculation of Excess Cash Flow, means the following:

	Beg. of Period	End of Period
Current assets:	$	$
Less (to the extent included in current Assets):		
Cash	$	$
Cash Equivalents	$	$
Deferred tax assets	$	$
Adjusted current assets	$	$
Current liabilities:	$	$
Less (to the extent included in current liabilities):		
Revolving Loans	$	$
Swing Loans	**$**	**$**
Current portion of Indebtedness	$	$
Deferred tax liabilities	$	$
Unearned revenue	$	$
Adjusted current liabilities	$	$
Working capital (adjusted current assets minus adjusted current liabilities)	$	$
Decrease (Increase) in working capital (beginning of period minus end of period working capital)	$	

To the extent Borrower or any of its Subsidiaries consummates an acquisition during such period, beginning of period working capital shall be recalculated on a pro forma basis to include working capital acquired in such acquisition.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Forms S-8 No. 333-202280, No. 333-149800, No. 333-209646) pertaining to the 2003 Equity Incentive Plan, 2008 Equity Incentive Plan, 2008 Employee Stock Purchase Plan, and 2008 Non-Employee Directors' Stock Option Plan of BioTelemetry, Inc. of our reports dated February 22, 2017, with respect to the consolidated financial statements and schedule of BioTelemetry, Inc. and the effectiveness of internal control over financial reporting of BioTelemetry, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2016.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania
February 22, 2017

QuickLinks

Exhibit 23

Consent of Independent Registered Public Accounting Firm

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Joseph H. Capper, certify that:

1. I have reviewed this annual report on Form 10-K of BioTelemetry, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2017

/s/ JOSEPH H. CAPPER

Joseph H. Capper
President and Chief Executive Officer
(Principal Executive Officer)

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Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

Exhibit 31.2

CERTIFICATIONS PURSUANT TO
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Heather C. Getz, certify that:

1. I have reviewed this annual report on Form 10-K of BioTelemetry, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2017

/s/ HEATHER C. GETZ

Heather C. Getz, CPA
Chief Financial Officer
(Principle Financial and Accounting Officer)

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Exhibit 31.2

CERTIFICATIONS PURSUANT TO RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of BioTelemetry, Inc. on Form 10- K for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of Joseph H. Capper, the President and Chief Executive Officer of BioTelemetry, and Heather C. Getz, the Chief Financial Officer of BioTelemetry, hereby certifies, pursuant to and for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his or her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of BioTelemetry.

/s/ JOSEPH H. CAPPER	/s/ HEATHER C. GETZ
Joseph H. Capper *President and Chief Executive Officer* February 22, 2017	Heather C. Getz, CPA *Chief Financial Officer* February 22, 2017

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Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002