FORM 10-Q
(Quarterly Report)

Filed 11/19/12 for the Period Ending 09/30/12

Address 2420 N. ANDREWS EXTENSION
POMPANO BEACH, FL 33064
Telephone 954-972-6667
CIK 0001311627
SIC Code 7389 - Business Services, Not Elsewhere Classified
Industry Business Support Services
Sector Industrials
Fiscal Year 12/31
FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2012

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________________ to _________________

Commission File Number: 000-52712

PEER REVIEW MEDIATION AND ARBITRATION, INC.
---------------------------------------------
(Exact name of registrant as specified in its charter)

Florida 65-1126951
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

778 South Military Trail
Deerfield Beach, Florida 33442

(Address of principal executive offices)

(954) 570-7023

(Registrant’s telephone number, including area code)

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 [X] 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 (section 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 [X] No [ ]

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.

Large accelerated filer [ ] Accelerated filer [ ]
Non-accelerated filer [ ] Smaller reporting company [X]

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

As of November 19, 2012, there were 9,252,835 shares of Peer Review Mediation and Arbitration, Inc. Common Stock, $0.001 par value per share, issued and outstanding.
PART I - FINANCIAL INFORMATION

Consolidated Balance Sheets as of September 30, 2012 (Unaudited) and December 31, 2011
Consolidated Statements of Cash Flows for the Nine Month Periods Ended September 30, 2012 and 2011 (unaudited)
Notes to Consolidated Financial Statements (unaudited)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 3. Quantitative and Qualitative Disclosures About Market Risk
Item 4. Controls and Procedures

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
Item 3. Defaults Upon Senior Securities
Item 4. Mine Safety Disclosures
Item 5. Other Information
Item 6. Exhibits

Signatures

PEER REVIEW MEDIATION AND ARBITRATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Three and Nine Months Ended September 30, 2012
## CONSOLIDATED BALANCE SHEETS

December 31, 2011  
September 30, 2012 (Unaudited)

### ASSETS

<table>
<thead>
<tr>
<th>Category</th>
<th>December 31, 2011</th>
<th>September 30, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$89,351</td>
<td>$72,198</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>170,634</td>
<td>261,997</td>
</tr>
<tr>
<td>Inventory</td>
<td>14,395</td>
<td>3,598</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>274,459</td>
<td>337,872</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td>1,300,412</td>
<td>1,913,692</td>
</tr>
<tr>
<td><strong>Less accumulated depreciation</strong></td>
<td>(1,013,716)</td>
<td>(1,146,896)</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>723,052</td>
<td>827,053</td>
</tr>
<tr>
<td><strong>Less accumulated amortization</strong></td>
<td>(54,229)</td>
<td>(142,072)</td>
</tr>
<tr>
<td>Other assets</td>
<td>11,604</td>
<td>30,314</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>967,123</td>
<td>1,482,091</td>
</tr>
</tbody>
</table>

**Total Assets:**  
$1,241,582  
$1,819,963

### LIABILITIES AND STOCKHOLDERS' EQUITY

<table>
<thead>
<tr>
<th>Category</th>
<th>December 31, 2011</th>
<th>September 30, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued payables</td>
<td>$1,094,640</td>
<td>$1,644,478</td>
</tr>
<tr>
<td>Related party payables</td>
<td>2,967,348</td>
<td>3,429,670</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>4,061,988</td>
<td>5,074,148</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>December 31, 2011</th>
<th>September 30, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes payable - related party</td>
<td>755,105</td>
<td>682,140</td>
</tr>
<tr>
<td>Capital Lease Obligation</td>
<td>223,081</td>
<td>187,845</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>5,040,174</td>
<td>5,944,133</td>
</tr>
</tbody>
</table>

*(Continued on next page)*

## CONSOLIDATED BALANCE SHEETS

Stockholders' Equity  
Preferred stock, Series II, $.001 par value;  
1,000,000 shares authorized; convertible;  
1,000,000 issued and outstanding:  
Common stock, $.001 par value; 45,000,000 shares authorized;  
9,186,574 (2011) and 9,252,835 (2012) and  
9,186  
9,252  
Additional paid in capital       | 23,829,049        | 25,285,154         |
Stock subscription receivable    | (7,203,750)       | (7,203,750)        |
Accumulated deficit              | (20,421,802)      | (22,203,006)       |
### PEER REVIEW MEDIATION AND ARBITRATION, INC.

#### CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited)                   (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>$2,069,437</td>
<td>$2,239,125</td>
<td>$7,059,606</td>
<td>$7,265,010</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>1,674,386</td>
<td>1,883,620</td>
<td>5,352,824</td>
<td>5,922,986</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>44,821</td>
<td>69,698</td>
<td>221,023</td>
<td>2,464,697</td>
</tr>
<tr>
<td><strong>Selling, general and administrative</strong></td>
<td>504,701</td>
<td>1,035,310</td>
<td>1,633,498</td>
<td>2,464,697</td>
</tr>
<tr>
<td><strong>Write-offs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>549,522</td>
<td>1,105,008</td>
<td>2,847,306</td>
<td>2,685,720</td>
</tr>
<tr>
<td><strong>Loss from operations</strong></td>
<td>(154,471)</td>
<td>(749,503)</td>
<td>(1,935,120)</td>
<td>(1,549,100)</td>
</tr>
<tr>
<td><strong>Other income (expense)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest income</strong></td>
<td>12</td>
<td>-</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td><strong>Interest (expense)</strong></td>
<td>(67,372)</td>
<td>(69,859)</td>
<td>(205,187)</td>
<td>(232,460)</td>
</tr>
<tr>
<td><strong>Beneficial conversion feature - expense</strong></td>
<td>(5,938)</td>
<td>0</td>
<td>(56,626)</td>
<td>(200)</td>
</tr>
<tr>
<td></td>
<td>(73,298)</td>
<td>(69,859)</td>
<td>(261,801)</td>
<td>(232,660)</td>
</tr>
<tr>
<td><strong>Income (loss) before provision for income taxes</strong></td>
<td>(227,769)</td>
<td>(819,360)</td>
<td>(2,196,921)</td>
<td>(1,781,760)</td>
</tr>
<tr>
<td><strong>Provision for income tax</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(227,769)</td>
<td>(819,360)</td>
<td>(2,196,921)</td>
<td>(1,781,760)</td>
</tr>
<tr>
<td><strong>Other comprehensive income (loss) net of tax</strong></td>
<td>(227,769)</td>
<td>(819,360)</td>
<td>(2,196,921)</td>
<td>(1,781,760)</td>
</tr>
<tr>
<td><strong>Unrealized gain (loss) on securities</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Comprehensive income (loss)</strong></td>
<td>(227,769)</td>
<td>(819,360)</td>
<td>(2,196,921)</td>
<td>(1,781,760)</td>
</tr>
<tr>
<td><strong>Comprehensive (income) loss attributable to noncontrolling interest</strong></td>
<td>(484)</td>
<td>767</td>
<td>270</td>
<td>556</td>
</tr>
<tr>
<td><strong>Comprehensive income (loss) attributable to PRMA</strong></td>
<td>$(228,253)</td>
<td>$(820,127)</td>
<td>$(2,196,651)</td>
<td>$(1,781,204)</td>
</tr>
<tr>
<td><strong>Net income (loss) per share (Basic and fully diluted)</strong></td>
<td>$ (0.05)</td>
<td>$ (0.088)</td>
<td>$ (0.24)</td>
<td>$ (0.193)</td>
</tr>
<tr>
<td><strong>Weighted average number of common shares outstanding</strong></td>
<td>9,169,234</td>
<td>9,249,960</td>
<td>9,159,156</td>
<td>9,221,321</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the consolidated financial statements.
### CONSOLIDATED STATEMENTS OF CASH FLOWS

<table>
<thead>
<tr>
<th>(Unaudited)</th>
<th>(Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nine Months</td>
<td>Nine Months</td>
</tr>
<tr>
<td>Ended</td>
<td>Ended</td>
</tr>
<tr>
<td>September 30, 2011</td>
<td>September 30, 2012</td>
</tr>
</tbody>
</table>

**Cash Flows From Operating Activities:**

- **Net income (loss):**
  - 2011: $(2,196,921)
  - 2012: $(1,781,760)

**Adjustments to reconcile net income to net cash provided by (used for) operating activities:**

- **Depreciation:**
  - 2011: 885,437
  - 2012: 221,023

- **Beneficial conversion feature – expense:**
  - 2011: 56,626
  - 2012: 200

- **Writeoffs:**
  - 2011: 1,051,900
  - 2012: -

**Changes in assets and liabilities:**

- **Accounts receivable:**
  - 2011: (191,007)
  - 2012: (39,956)

- **Inventory:**
  - 2011: -
  - 2012: 10,797

- **Accrued payables:**
  - 2011: 154,215
  - 2012: 309,198

- **Related party payables:**
  - 2011: 396,056
  - 2012: 462,322

- **Other assets:**
  - 2011: 159
  - 2012: (18,710)

**Net cash provided by (used by) operating activities:**

- 2011: 156,735
- 2012: (836,886)

**Cash Flows From Investing Activities:**

- **Fixed asset purchases:**
  - 2011: (967,072)
  - 2012: (88,280)

- **Business acquisition - net:**
  - 2011: (724,948)
  - 2012: (51,353)

**Net cash (used for) investing activities:**

- 2011: (1,692,020)
- 2012: (139,633)

**Cash Flows From Financing Activities:**

- **Notes payable - payments:**
  - 2011: 605,007
  - 2012: (96,965)

- **Capital lease obligation - payments:**
  - 2011: 36,848
  - 2012: (35,236)

- **Equity Sales - subsidiary:**
  - 2011: 453,000
  - 2012: 2,000

- **Option Exercises:**
  - 2011: 366,023
  - 2012: 1,089,568

**Net cash provided by financing activities:**

- 2011: 1,460,878
- 2012: 959,367

**Net Increase (Decrease) in Cash:**

- 2011: (74,677)
- 2012: (17,153)

**Cash at the Beginning of the Period:**

- 2011: 155,655
- 2012: 89,351

**Cash at the End of the Period:**

- 2011: $80,978
- 2012: $72,198

**Supplemental Disclosure:**

- **Cash paid for interest:**
  - 2011: $9,323
  - 2012: $17,587

- **Cash paid for income taxes:**
  - 2011: -
  - 2012: -

**Non-cash transactions:**

- **Acquired assets, net of liabilities:**
  - 2011: $335,767

The accompanying notes are an integral part of the consolidated financial statements.
NOTE 1. ORGANIZATION, OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

We were incorporated under the laws of the state of Florida on April 16, 2001. We have been conducting business operations ever since, primarily focused on the creation and continual development of our core initiatives to partner with health care providers in their pursuit of achieving medical excellence. Through our family of core operating systems and solutions, we will introduce investment, technology, innovation and intellectual capital and expertise to modernize and optimize the health care provider’s practice.

BASIS OF PRESENTATION

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The accompanying interim unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information in accordance with Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the Company’s opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended September 30, 2012 are not necessarily indicative of the results for the full years. While management of the Company believes that the disclosures presented herein are adequate and not misleading, these interim financial statements should be read in conjunction with the audited consolidated financial statements and the footnotes thereto for the periods ended December 31, 2011 filed in its annual report on Form 10-K.

Use of Estimates

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

Principles of consolidation

The accompanying consolidated financial statements include the accounts of PRMA and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.
Minority Interest (Non-controlling interest)

A subsidiary of the Company has minority shareholders, representing ownership interests of .52% at September 30, 2012. The Company accounts for these minority, or non-controlling interests pursuant to ASC 810-10-65 whereby gains or losses in a subsidiary with a non-controlling interest are allocated to the non-controlling interest based on the ownership percentage of the non-controlling interest, even if that allocation results in a deficit non-controlling interest balance.

Cash and cash equivalents

The Company follows ASC 305, *Cash and Cash Equivalents*, and considers all highly liquid investments with an original maturity of three months or less as cash equivalents.

Income tax

The Company accounts for income taxes pursuant to ASC 740, *Income Taxes*. Under ASC 740 deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Net income (loss) per share

The net income (loss) per share is computed by dividing the net income (loss) by the weighted average number of shares of common outstanding. Warrants, stock options, and common stock issuable upon the conversion of the Company's preferred stock (if any), are not included in the computation if the effect would be anti-dilutive and would increase the earnings or decrease loss per share.

Accounts Receivable, Credit Risk

The Company follows FASB ASC 310, *Receivables*. Accounts receivable consist of amounts due for the delivery of services to our customers and clients. An allowance for doubtful accounts is considered to be established for any amounts that may not be recoverable, which is based on an analysis of the Company’s customer credit worthiness, and current economic trends. Based on management’s review of accounts receivable, no allowance for doubtful accounts was considered necessary, based on consideration of our history with our clients. Receivables are determined to be past due, based on payment
terms of original invoices. The Company does not typically charge interest on past due receivables.

Inventories
The Company follows FASB ASC 330, “Inventory”. Inventories are stated at the lower of cost or net realizable value. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined using the first-in, first-out (FIFO) method. Inventory is reduced for the estimated losses due to obsolescence. This reduction is determined for groups of products based on purchases in the recent past and/or expected future demand.

Property and equipment
Property and equipment are recorded at cost and depreciated under the straight line method over each item's estimated useful life.

Revenue recognition
Revenue is recognized as it is realized or realizable and earned, IAW ASC 605, “Revenue Recognition”. Revenue is recognized on an accrual basis after services have been performed under contract terms, the service price to the client is fixed or determinable, and collectability is reasonably assured.

Fair Value of Financial Instruments
FASB ASC 820 “Fair Value Measurements and Disclosures” defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This ASC also establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).
The three levels of the fair value hierarchy are described below:

1. Level 1. Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
2. Level 2. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable data by correlation or other means.
3. Level 3. Inputs that are both significant to the fair value measurement and unobservable.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include accounts receivable, marketable securities, and accounts payable. The fair value of the Company’s notes payable is estimated based on current rates that would be available for debt of similar terms which is not significantly different from its stated value.

The Company applied ASC 820 for all non-financial assets and liabilities measured at fair value on a non-recurring basis.

The Company follows FASB ASC 360, “Property, Plant, and Equipment” and ASC 350, Intangibles – Goodwill and Other. Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The useful lives and residual values are evaluated every year. Depreciation is computed by the straight-line method over estimated useful lives (5-7 years). Leasehold improvements are depreciated over the shorter of the lease term or their useful lives. Intellectual property assets are stated at their fair value acquisition cost. Intangible assets with finite useful lives are amortized; intangible assets with indefinite useful lives are not amortized. Amortization of intellectual property assets is calculated by the straight line method over their estimated useful lives (15 years).

Long-lived assets such as property, equipment and identifiable intangibles are reviewed for impairment whenever facts and circumstances indicate that the carrying value may not be recoverable. When required impairment losses on assets to be held and used are recognized based on the fair value of the asset. The fair value is determined based on estimates of future cash flows, market value of similar assets, if available, or independent appraisals, if required. If the carrying amount of the long-lived asset is not recoverable
from its undiscounted cash flows, an impairment loss is recognized for the difference between the carrying amount and fair value of the asset. When fair values are not available, the Company estimates fair value using the expected future cash flows discounted at a rate commensurate with the risk associated with the recovery of the assets. We did not recognize any impairment losses for any periods presented.

**Marketable Securities**

The Company's marketable securities are classified as available-for-sale, are presented in the balance sheets at fair market value, and consist entirely of equity securities. Gains and losses are determined using the specific identification method.

**Comprehensive income (loss)**

The Company accounts for comprehensive income (loss) under ASC 220, “*Comprehensive Income*”, which establishes standards for reporting and display of comprehensive income and its components. Unrealized gains (losses) from marketable securities are reported as other comprehensive income (loss) in the consolidated statements of income and comprehensive income and as accumulated other comprehensive income (loss) in stockholders’ equity.

**Stock-based compensation**

The Company accounts for employee and non-employee stock awards under ASC 718, “*Compensation-Stock Compensation*”, whereby equity instruments issued to employees for services are recorded based on the fair value of the instrument issued and those issued to non-employees are recorded based on the fair value of the consideration received or the fair value of the equity instrument, whichever is more reliably measurable.

**Recently Issued Accounting Pronouncements**

Except for rules and interpretive releases of the SEC under authority of federal securities laws and a limited number of grandfathered standards, the FASB Accounting Standards Codification (“ASC”) is the sole source of authoritative GAAP literature recognized by the FASB and applicable to the Company. Management has reviewed the aforementioned rules and releases and believes any effect will not have a material impact on the Company’s present or future consolidated financial statements.

**Note 2. GOING CONCERN**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has a history of losses, primarily due to its product development stage, resulting in an accumulated deficit. The Company is dependent on financing from its majority shareholder and related parties and other
funding activities to meet its current operating obligations. In view of these matters, the Company’s ability to continue as a going concern is dependent upon the Company’s ability to generate revenues from operations and to achieve a level of profitability. The Company intends on financing its future development activities, marketing plan and its working capital needs largely from the sale of public equity securities with some additional funding from other traditional financing sources, including term notes until such time that funds provided by operations are sufficient to fund working capital requirements.

The financial statements of the Company do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 3. BUSINESS ACQUISITIONS AND ASSET PURCHASES

Effective January 1, 2012, The Company purchased fixed assets in the amount of $525,000 in return for equity in the Company’s first accountable care organization and the assumption of certain accounts payable. On January 24, 2012, the Company acquired certain intangible assets in the amount of $104,000 in return for a $24,000 note payable and the issuance of 4,000 shares of Peer Review Mediation and Arbitration, Inc.

Note 4. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date the financial statements were issued. Management is not aware of any significant events that occurred subsequent to the balance sheet date that would have a material effect on the financial statements thereby requiring adjustment or disclosure.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934. The statements regarding Peer Review Mediation and Arbitration, Inc. and its subsidiaries contained in this Report that are not historical in nature, particularly those that utilize terminology such as “may,” “will,” “should,” “likely,” “expects,” “anticipates,” “estimates,” “believes” or “plans,” or comparable terminology, are forward-looking statements based on current expectations and assumptions, and entail various risks and uncertainties that could cause actual results to differ materially from those expressed in such forward-looking statements.

Overview
We were incorporated under the laws of the state of Florida on April 16, 2001. We have been conducting business operations ever since, primarily focused on the creation and continual development of our core initiatives to partner with health care providers in their pursuit to achieve medical excellence. Through our family of core operating systems and solutions, we will introduce investment, technology, innovation and intellectual capital and expertise to modernize and optimize the health care provider’s practice.

Results Of Operations
Comparison of Results of Operations for the Three Months Ended September 30, 2012 and 2011

Sales were $2,239,125 for the three months ended September 30, 2012, as compared to sales of $2,069,437 for the three months ended September 30, 2011, an increase of
$169,688, or 8.0%. This increase in revenue for the three months ending September 30, 2012 is due to the continuation of the Company’s transition from developmental to operational combined with additional revenues generated from our first accountable care organization.

Cost of sales was $1,883,620 for the three months ended September 30, 2012, as compared to cost of sales of $1,674,386 for the comparable period in 2011, an increase of $209,234, or 12.0%. Cost of sales increased due to the corresponding increase in revenues.

For the three months ended September 30, 2012, we incurred operating expenses of $1,105,008, which consisted of selling, general and administrative expenses of $1,035,310 and depreciation expense of $69,698, compared to operating expense of $549,252 during the three months ended September 30, 2011, which consisted of selling, general and administrative expenses of $504,701 and depreciation expenses of $44,821 for the same period last year. This increase is due an increase in business development activity as the Company continues to execute its business plan.

During the three months ended September 30, 2012, we had interest expenses of $69,859. During the three months ended September 30, 2011, we had interest income of $12, interest expenses of $67,372, and beneficial conversion feature expenses of $5,938. As a result, we incurred a loss of ($819,360) during three months ended September 30, 2012, or ($0.088) per share, compared with a loss of ($227,769) during the three months ended September 30, 2011, or ($0.02) per share.

Comparison of Results of Operations for the Nine Months Ended September 30, 2012 and 2011

Sales were $7,059,606 for the nine months ended September 30, 2012, as compared to sales of $6,265,010 for the nine months ended September 30, 2011, an increase of $794,596, or 12.7%. This increase in revenue for the nine months ending September 30, 2012 is due to the continuation of the Company’s transition from developmental to operational combined with additional revenues generated from our first accountable care organization.

Cost of sales was $5,922,985 for the nine months ended September 30, 2012, as compared to cost of sales of $5,352,824 for the comparable period in 2011, an increase of $570,161, or 10.6%. Cost of sales increased due to the corresponding increase in revenues.

For the nine months ended September 30, 2012, we incurred operating expenses of $2,685,720, which consisted of depreciation expenses of $221,023 and selling, general and administrative expenses of $2,464,697, compared to operating expense of $2,847,306 during the nine months ended September 30, 2011, which consisted of depreciation expenses of $161,908, write-offs of $1,051,900, and selling, general and administrative expenses of $1,633,498 for the same period last year, or a 50% increase in selling, general and administrative expense. This increase is due an increase in business development activity as the Company continues to execute its business plan.

During the nine months ended September 30, 2012, we had interest expenses of $232,460 and beneficial conversion feature expenses of $200. During the nine months ended September 30, 2011, we had interest income of $12, interest expenses of $205,187, and beneficial conversion feature expenses of $56,626. As a result, we incurred a loss of ($1,781,760) during the nine months ended September 30, 2012, or ($0.193) per share, compared with a loss of ($2,196,921) during the nine months ended September 30, 2011, or ($0.24) per share.
Liquidity and Capital Resources

For the nine months ended September 30, 2012, we had fixed asset purchases of $88,280 and business acquisition – net expenses of $51,353, resulting in net cash used for
investing activities for the period of $139,633. Comparatively, for the nine months ended September 30, 2011, we had fixed asset purchases of $967,072 and business acquisition – net decrease of $724,948, resulting in net cash used for investing activities for the period of $1,692,020.

For the nine months ended September 30, 2012, we had notes payable – payments of $96,965, capital lease obligation – payments of $35,236, equity sales – subsidiary of $2,000 and option exercises of $1,089,568, resulting in net cash provided by financing activities for the period of $959,367. Comparatively, for the nine months ended September 30, 2011, we had notes payable – borrowings of $605,007, capital lease obligation – payments of $36,848, equity sales – subsidiary of $453,000 and option exercises of $366,023, resulting in net cash provided by financing activities for the period of $1,460,878.

As reflected in the financial statements we have a negative cash flow from operations of $(836,866) for the nine months ended September 30, 2012. This raises doubt about the Company’s ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company’s ability to raise additional capital and execution of its business plan. Our independent auditor has expressed doubt about our ability to continue as a going concern and believes that our ability is dependent on executing our business plan, raising capital and generating revenues. See Note 2 of our financial statements. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

At September 30, 2012, the Company had $72,198 in cash resources to meet current obligations. Management does not consider our current cash position sufficient to sustain our operations. We estimate that our current available cash will satisfy approximately one month of our operating cash flow requirements. We have depended and continue to depend on monthly cash contributions from related parties and the sale of shares, to meet any shortfall in meeting our obligations. We expect to generate increasing revenue during the rest of the year, minimizing our need for support; however we will require capital to market our product and achieve our operating plan. In the absence of generating revenue, we anticipate that over the next twelve months we will require cash contributions from Mr. Willis or other related parties and to sell more shares. However, there is no guarantee that these parties will make any contributions or we will find a market for our stock. We have not identified any other source of funding to meet the shortfall; thus, without such support, we may go out of business.

Completion of our plan of operation is subject to attaining adequate revenue through increased volume of existing products and services, the development of additional products and services, business acquisition and the integration of medical practice partnerships. We cannot assure investors that adequate revenues will be generated. Without adequate revenues, we may be unable to proceed with our plan of operations. In the event we are not successful in reaching our revenue targets, additional funds may be
required, and we would then not be able to proceed with our business plan for the
development and marketing of our core services. Should this occur, we would likely seek
additional financing to support the continued operation of our business. We anticipate
that depending on market conditions and our plan of operations, we would incur
operating losses in the foreseeable future. We base this expectation, in part, on the fact
that we may not be able to generate enough gross profit from our services to cover our
operating expenses. Consequently, there is substantial doubt about the Company’s ability
to continue to operate as a going concern.

In an effort to accelerate revenue growth and profitability and to most effectively achieve
our business plan, the Company is focusing its efforts on the optimization of existing
products and services and the development of new products and services centric to our
practice partnership and accountable care organization business models. Consistent with
these efforts, we intend to focus our environmental service offerings on the medical
community and discontinue construction related environmental services. Management
believes this will better position us to effectively service our current and targeted medical
customer base and maximize related growth opportunities.

Off-Balance Sheet Arrangements
We have not entered into any off-balance sheet arrangements that have or are reasonably
likely to have a current or future effect on our financial condition, changes in financial
condition, revenues or expenses, results of operations, liquidity, capital expenditures or
capital resources and would be considered material to investors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT
MARKET RISK.
Not applicable.

ITEM 4. CONTROLS AND PROCEDURES
Evaluation of Disclosure Controls and Procedures: Our chief executive officer and chief
financial officer have concluded that the disclosure controls and procedures were
effective as of September 30, 2012. These controls are meant to ensure that information
required to be disclosed by the issuer in the reports that it files or submits under the Act is
recorded, processed, summarized and reported, within the time periods specified in the
Commission's rules and forms and to ensure that information required to be disclosed by
an issuer in the reports that it files or submits under the Act is accumulated and
communicated to the issuer's management, including its principal executive and principal
financial officers, or persons performing similar functions, as appropriate to allow timely
decisions regarding required disclosure.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS
None

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF
PROCEEDS
None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES
None

ITEM 4. MINE SAFETY DISCLOSURE
ITEM 5. OTHER INFORMATION
None

ITEM 6. EXHIBITS

Exhibit 31* - Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32* - Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.INS** XBRL Instance Document
Exhibit 101.SCH** XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL** XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF** XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB** XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE** XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

**XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements 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.

PEER REVIEW MEDIATION AND ARBITRATION, INC.

Dated: November 19, 2012

By: /s/Willis Hale
   Willis Hale
   Chief Executive Officer

By: /s/Marc E. Combs
   Marc E. Combs
   Chief Financial Officer
Certification of Chief Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Item 307 of Regulation S-K

I, Willis Hale, certify that:

1. I have reviewed this Form 10-Q of Peer Review Mediation and Arbitration, Inc. for the period ended September 30, 2012;

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.

/s/: Willis Hale
Willis Hale
Chief Executive Officer
November 19, 2012
Certification of Chief Financial Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Item 307 of Regulation S-K

I, Marc E. Combs, certify that:

1. I have reviewed this Form 10-Q of Peer Review Mediation and Arbitration, Inc. for the period ended September 30, 2012;

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.

/s/: Marc E. Combs
Marc E. Combs
Chief Financial Officer
November 19, 2012
CERTIFICATION PURSUANT  
Section 1350 Certification as adopted pursuant to  
Section 906 of the SARBANES-OXLEY ACT OF 2002  

The undersigned officer of Peer Review Mediation and Arbitration, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Annual Report on Form 10-Q for the period ended September 30, 2012 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 19, 2012

By: /s/ Willis Hale
Willis Hale
Chief Executive Officer
CERTIFICATION PURSUANT
Section 1350 Certification as adopted pursuant to
Section 906 of the SARBANES-OXLEY ACT OF 2002

The undersigned officer of Peer Review Mediation and Arbitration, Inc. (the "Company"), hereby certifies, to such officer's knowledge, that the Company's Annual Report on Form 10-Q for the period ended September 30, 2012 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 19, 2012
By: /s/Marc E. Combs
Marc E. Combs
Chief Financial Officer