UNION DENTAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2015

NOTE 1 – DESCRIPTION OF BUSINESS

Union Dental Holdings, Inc., (f/k/a National Business Holdings, Inc.), (the "Company") is a Florida corporation which conducts business from its headquarters in Ft. Lauderdale, Florida. The Company was incorporated on November 26, 1996. On December 27, 2004, the Company entered into a Share Exchange and Reorganization Agreement ("Reorganization") with both Union Dental Corp. ("UDC"), a Florida corporation and Direct Dental Services, Inc. ("DDS"), a Florida corporation, whereby UDC and DDS became wholly-owned subsidiaries of the Company in exchange for an aggregate of 17,500,000 shares of its common stock and 1,000,000 shares of its preferred stock issued to Dr. George Green with each share of preferred stock providing voting rights equal to 15 shares of the Company's common stock. In addition, the Company agreed to recognize the 3,452,250 issued and outstanding options to purchase UDC common stock as options to purchase the Company's common stock. Pursuant to the Reorganization Agreement, 22,287,977 shares of the Company's common stock were canceled. As a result, UDC's and DDS's former stockholders became the Company's majority stockholders with the Company's former shareholders retaining 10,000,000 shares of common stock.

On January 11, 2005, the Company amended its Articles of Incorporation to change its name from National Business Holdings, Inc. to Union Dental Holdings, Inc.

The acquisition of UDC and DDS by the Company was accounted for as a reverse merger because on a post-merger basis, the former UDC and DDS shareholders hold a majority of the outstanding common stock of the Company on a voting and fully diluted basis. As a result, UDC and DDS were deemed to be the acquirer for accounting purposes. Accordingly, the consolidated financial statements presented for the period ending March 31, 2015, are those of the combined results of UDC and DDS for all periods prior to the acquisition, and the financial statements of the consolidated companies from the acquisition date forward. The historical shareholders' deficit of the combined results of UDC and DDS prior to the acquisition have been retroactively restated (a recapitalization) for the equivalent number of shares received in the acquisition after giving effect to any differences in the par value of the Company and the combined UDC and DDS common stock, with an offset to additional paid-in capital. The restated consolidated retained earnings of the accounting acquirer (UDC and DDS) are carried forward after the acquisition.

Through its wholly-owned subsidiaries, UDC and DDS, the Company operates two distinct lines of business.

UDC operates a network of duly licensed dental providers, the Dental Referral, who provide dental services through the network to union members in accordance with arrangements between UDC and various labor unions. UDC is not limited as to the type of labor union which it may solicit. UDC charges an annual management services fee to the participating dentists to practice in an "area of exclusivity" for union members. UDC currently has exclusive contracts with several local unions.

DDS acquired the assets of George D. Green, DDS, PA and manages the operation of that general dental practice.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company prepares its condensed financial statements in accordance with accounting principles generally accepted in the United States of America. Significant accounting policies are as follows:

Use of Estimates

The preparation of condensed financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities known to exist as of the date the condensed financial statements are published, and (iii) the reported amount of net sales and expenses recognized during the periods presented. Adjustments made with respect to the use of estimates often relate to improved information not previously available. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of condensed financial statements; accordingly, actual results could differ from these estimates.

These estimates and assumptions also affect the reported amounts of revenues, costs and expenses during the reporting period. Management evaluates these estimates and assumptions on a regular basis. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of year ended or less to be cash equivalents. Cash equivalents include cash on hand and cash in the bank.

Property and Equipment

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the assets using principally the straight-line method. When items are retired or otherwise disposed of, income is charged or credited for the difference between net book value and proceeds realized thereon. Ordinary maintenance and repairs are charged to expense as incurred, and replacements and betterments are capitalized.

Inventory of dental supplies

The Company values inventory of dental supplies at the lower of cost or market, using the specific unit cost method.

Accounts receivable

The Company has a policy of reserving for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Goodwill and Other Intangible Assets

The Company adopted Statement of Financial Accounting Standard ("FASB") Accounting Standards Codification ("ASC") Topic 350 *Goodwill and Other Intangible Assets*, effective July 1, 2002. In accordance with ("ASC Topic 350") "*Goodwill and Other Intangible Assets*," goodwill, which represents the excess of the purchase price and related costs over the value assigned to net tangible and identifiable intangible assets of businesses acquired and accounted for under the purchase method, acquired in business combinations is assigned to reporting units that are expected to benefit from the synergies of the combination as of the acquisition date. Under this standard, goodwill and intangibles with indefinite useful lives are no longer amortized. The Company assesses goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter, or more frequently if events and

circumstances indicate impairment may have occurred in accordance with ASC Topic 350. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, the Company records an impairment loss equal to the difference. ASC Topic 350 also requires that the fair value of indefinite-lived purchased intangible assets be estimated and compared to the carrying value. The Company recognizes an impairment loss when the estimated fair value of the indefinite-lived purchased intangible assets is less than the carrying value.

Income Taxes

Deferred income taxes are provided based on the provisions of ASC Topic 740, "*Accounting for Income Taxes*", to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company adopted the provisions of ASC Topic 740; "Accounting For Uncertainty In Income Taxes-An Interpretation Of ASC Topic 740 ("Topic 740"). Topic 740 contains a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely
of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating the Company's tax positions and tax benefits, which may require periodic adjustments. At December 31, 2014, the Company did not record any liabilities for uncertain tax positions.

We have adopted “Accounting for Uncertainty in Income Taxes”. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The adoption of ASC 740-10-25 had no effect on our condensed financial statements.

Concentration of Credit Risk

The Company maintains its operating cash balances in banks in Coral Springs, Florida. The Federal Depository Insurance Corporation (FDIC) insures accounts at each institution up to $250,000.

Share-Based Compensation

The Company applies Topic 718 “Share-Based Payments” (“Topic 718”) to share-based compensation, which requires the measurement of the cost of services received in exchange for an award of an equity instrument based on the grant-date fair value of the award. Compensation cost is recognized when the event occurs. The Black-Scholes option-pricing model is used to estimate the fair value of options granted.

Basic and Diluted Net Loss Per Share

Net loss per share was computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time that they were outstanding. Diluted net loss per share for the Company is the same as basic net loss per share, as the inclusion of common stock equivalents would be antidilutive.

Fair Value of Financial Instruments

The Company financial instruments consist primarily of cash, affiliate receivable, settlement receivable, accounts payable and accrued expenses and debt. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair value is not necessarily indicative of the amounts the Company would realize in a current market exchange or from future earnings or cash flows.

The Company adopted ASC Topic 820, Fair Value Measurements ("ASC Topic 820"), which defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements. The standard provides a consistent definition of fair value which focuses on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also prioritizes, within the measurement of fair value, the use of market-based measurements.

The three-level hierarchy for fair value measurements is defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable of the asset or liability other than quoted prices, either directly or indirectly including inputs in markets that are not considered to be active;

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Recent Accounting Updates

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and believes that, with the exception of the pronouncements noted above, no other accounting standards or interpretations issued or recently adopted are expected to have a material impact on the Company's results of operations, financial position or cash flow.

The Company has implemented all new accounting pronouncements that are in effect and that may impact its condensed financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Useful Life	March 31, 2015
Computer equipment	5 Years	$ 36,232
Office equipment	5 years	802,818
Office furniture and fixtures	7 Years	103,188
Leasehold improvements	10 Years	341,855
Expansion		503,764
		1,787,857
Less: accumulated depreciation		(1,148,645)
		$ 639,212

Depreciation expense for the three months ended March 31, 2015 amounted to $25,000.

NOTE 4 - NOTES PAYABLE

On April 15, 2011, the Company entered into an agreement with a financial institution in the amount of $1,480,000 in order to expand its facility and to pay all existing notes in full. The note bears interest at prime plus 2.75%,is payable monthly until maturity in March of 2021, and is collateralized by certain equipment. The principal balance of the note was $996,523 as of March 31, 2015.

On September 27, 2012, the Company entered into an agreement with a financial institution in the amount of $525,000. The interest on this note is 6.0% and requires 120 monthly principal and interest payments of $5,890 and is secured by certain assets of the Company. At March 31, 2015, the principal amount outstanding on this note was $424,747.

In November 2012, the Company entered into an agreement with a finance company in the amount of approximately $140,000. The interest on this note is 5.75% and requires 84 monthly principal and interest payments of $2,028 and is secured by certain assets of the Company. At March 31, 2015, the principal amount outstanding on this note was $97,426.

NOTE 5 - PATENT

The company, in connection with its Joint Venture agreement with Drinkable Air, Inc., has developed and patented a product called the Green Ozonator, which will eliminate bacterial contamination in the water lines used in dental operatories. Costs in connection of the development of this product in the amount of $200,000 have been capitalized in the accompanying financial statements.