

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

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 10, 2014

MARATHON PATENT GROUP, INC.

(Exact Name of Registrant as Specified in Charter)

Nevada

(State or other jurisdiction
of incorporation)

000-54652

(Commission File Number)

01-0949984

(IRS Employer Identification No.)

11100 Santa Monica Blvd., Ste. 380
Los Angeles, CA

(Address of principal executive offices)

90025

(Zip Code)

Registrant's telephone number, including area code: (703) 232-1701

(Former name or former address, if changed since last report)

Copies to:

Harvey J. Kesner, Esq.
61 Broadway, 32nd Floor
New York, New York 10006
Telephone: (212) 930-9700

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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EXPLANATORY NOTE

On October 14, 2014, Marathon Patent Group, Inc., a Nevada corporation (the “Company”), filed a current report on Form 8-K (the “Current Report”) to disclose the acquisition of 100% of the limited liability membership interests of OrthoPhoenix, LLC (“Orthophoenix”) and TLIF, LLC (“TLIF”) as well as 100% of the shares of MedTech Development Deutschland GmbH (“MedTech GmbH,” and together with Orthophoenix and MedTech GmbH, the “Subsidiaries”) from MedTech Development, LLC.

This amendment provides the historical financial statements of the Subsidiaries and the pro forma financial information required by Item 9.01 of the Form 8-K. The Current Report is hereby amended to include the required historical financial statements of the Subsidiaries and the required pro forma financial information. No other amendments to the Current Report are being made by this Form 8-K/A. The unaudited pro forma condensed combined consolidated financial statements are not necessarily indicative of the results that actually would have been attained if the merger had been in effect on the dates indicated or which may be attained in the future. Such statements should be read in conjunction with the historical financial statements of the Company.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The Unaudited Financial Statements of the Subsidiaries for the period ended September 30, 2014 are attached as Exhibit 99.1.

The Audited Financial Statements of the Subsidiaries as of and for the year ended December 31, 2013 are attached as Exhibit 99.2.

(b) Pro Forma Financial Information.

The Unaudited Pro Forma Condensed Combined Balance Sheet of the Company as of September 30, 2014 and the Unaudited Pro Forma Condensed Combined Statements of Income of Registrant for the period ended September 30, 2014 and the year ended December 31, 2013 are attached as Exhibit 99.3.

(d) Exhibits.

Exhibit No.	Description
23.1	Consent of Squar, Milner, Peterson, Miranda & Williamson, LLP
99.1	Unaudited Financial Statements of the Subsidiaries for the period ended September 30, 2014
99.2	Audited Financial Statements of the Subsidiaries as of and for the year ended December 31, 2013
99.3	The Unaudited Pro Forma Condensed Combined Balance Sheet of the Registrant as of September 30, 2014 and the Unaudited Pro Forma Condensed Combined Statements of Income of Registrant for the period ended September 30, 2014 and the year ended December 31, 2013

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.

Date: December 24, 2014

MARATHON PATENT GROUP, INC.

By: /s/ Francis Knuettel II

Name: Francis Knuettel II

Title: Chief Financial Officer

CONSENT OF INDEPENDENT AUDITOR

We consent to the incorporation by reference in the Registration Statements (Nos. **333-196994** and **333-198569**) on Form S-3 of Marathon Patent Group, Inc. of our report dated December 19, 2014, relating to our audit of the financial statements of MedTech Subsidiaries as of and for the year ended December 31, 2013, included in this Current Report on Form 8-K/A.

SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP

/S/ SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP

Newport Beach, California
December 19, 2014

MedTech Subsidiaries
Unaudited Combined Financial Statements
September 30, 2014

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MEDTECH SUBSIDIARIES
COMBINED BALANCE SHEET
September 30, 2014
(Unaudited)

ASSETS

Current Assets	
Cash	\$ 47,789
Patents, net	<u>8,252,772</u>
Total assets	<u>\$ 8,300,561</u>

LIABILITIES AND EQUITY (ACCUMULATED DEFICIT)

Current Liabilities	
Accounts payable and accrued expenses	\$ 191,281
Note payable	<u>8,921,918</u>
Total current liabilities	9,113,199
Commitments and Contingencies (Note 5)	
Equity (Accumulated Deficit)	<u>(812,638)</u>
Total liabilities and equity	<u>\$ 8,300,561</u>

MEDTECH SUBSIDIARIES
COMBINED STATEMENT OF OPERATIONS
For the Nine Months Ended September 30, 2014
(Unaudited)

REVENUES	\$ 293,468
OPERATING COSTS AND EXPENSES	
Contingent fees	557,162
Litigation and licensing expenses	244,756
Amortization of patents	1,647,284
	<u>2,449,202</u>
LOSS FROM OPERATIONS	(2,155,734)
OTHER EXPENSE	
Interest expense	(739,826)
Other	<u>(2,415)</u>
NET LOSS	<u>\$ (2,897,975)</u>

MEDTECH SUBSIDIARIES
COMBINED STATEMENT OF COMPREHENSIVE LOSS
For the Nine Months Ended September 30, 2014
(Unaudited)

Net Loss	\$ (2,897,975)
Foreign Currency Translation Income	<u>25,140</u>
Total Comprehensive Loss	<u>\$ (2,872,835)</u>

MEDTECH SUBSIDIARIES
COMBINED STATEMENT OF CASH FLOWS
For the Nine Months Ended September 30, 2014
(Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (2,897,975)
Adjustments to reconcile net loss to cash used in operating activities:	
Depreciation and amortization	1,647,284
Changes in operating assets and liabilities:	
Accounts payable and accrued expenses	133,108
Accrued interest	<u>739,726</u>
Net cash used in operating activities	<u>(377,857)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payment on debt	(2,500,000)
Net contribution from parent	<u>2,572,761</u>
Net cash provided by financing activities	72,761

EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	<u>(25,140)</u>
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NET DECREASE IN CASH	(279,956)
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CASH – January 1, 2014	<u>327,745</u>
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CASH – September 30, 2014	<u>\$ 47,789</u>
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MEDTECH SUBSIDIARIES
NOTES TO COMBINED UNAUDITED FINANCIAL STATEMENTS
September 30, 2014

1. NATURE OF BUSINESS AND ORGANIZATION

Orthophoenix, LLC (“Orthophoenix”), a Delaware company, TLIF, LLC (“TLIF”), a Texas company, and MedTech Development Deutschland GmbH (“MedTech GmbH”), a German company (collectively “MedTech Subsidiaries” or the “Company”), were formed in 2013 for the purpose of acquiring patents and patent rights and to monetize the value of those assets to generate revenue and profit. Generally, the patents acquired are characterized by having large identifiable companies who are or have been using technology that infringes those patent rights. Portfolio of patents are generally monetized by initiating enforcement activities against infringing parties with the objective of entering into a standard form of comprehensive settlement and license agreement that may include the granting of nonexclusive retroactive and future rights to use the patented technology, a covenant not to sue, a release of the party from certain claims, the dismissal of any pending litigation and other terms that are appropriate in the circumstances. As of September 30, 2014, the Company owned 162 patents or patents pending (Note 3).

On October 10, 2014, MedTech Development, LLC, the parent entity of MedTech Subsidiaries (“MedTech Parent”), entered into an Interest Sale Agreement to sell the MedTech Subsidiaries to Marathon Patent Group, Inc. (“Marathon”) for an aggregate purchase price of \$10.0 million, of which \$1.0 million was paid in cash upon closing and \$9.0 million was paid in the form of a promissory note payable over nine months. MedTech Parent is also entitled to certain possible future cash payments. Marathon also assumed the balance of the note payable in connection with the Company’s acquisition of patents in 2013 (Note 3).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments necessary to make the financial statements not misleading have been included. Operating results for the nine months ended September 30, 2014 are not necessarily indicative of the results that may be expected for a full year. The accompanying unaudited interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2013.

Ownership by MedTech Parent

The Company does not have any employees. All general management and supervision of the business affairs of the Company are performed by MedTech Parent. Consequently, future results of operations for the Company will include costs and expenses that may be materially different than historical results of operations, financial position, and cash flows. Accordingly, the financial statements for these periods may not be indicative of the Company’s future results of operations, financial position, and cash flows.

MEDTECH SUBSIDIARIES
NOTES TO COMBINED UNAUDITED FINANCIAL STATEMENTS
September 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported revenues and expenses during the reporting periods.

On an ongoing basis, management evaluates its estimates, including those related to the estimated useful lives of long-lived assets and the recognition and disclosure of contingent liabilities. These estimates is based on historical data and experience, as well as various other factors that management believes to be reasonable, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions or circumstances.

Patents

Patents include the cost of patents or patent rights (hereinafter, collectively "patents"), acquired from third-parties and are recorded based on the cost to acquire them. The costs of these assets are amortized over their remaining useful lives usually ranging between one and twenty years on a straight-line basis. Useful lives of intangible assets are periodically evaluated for reasonableness and the assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

Impairment of Long-Lived Assets

Management continually evaluates the recoverability of long-lived assets with finite lives, by assessing potential impairment when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated future net undiscounted cash flows expected to be generated by the asset. When necessary, impaired assets are written down to their estimated fair value based on the best information available. Estimated fair value is generally based on either appraised value or measured by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from such estimates. Impairment losses are recognized when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. No impairment losses were recorded during the nine months ended September 30, 2014.

MEDTECH SUBSIDIARIES
NOTES TO COMBINED UNAUDITED FINANCIAL STATEMENTS
September 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 605, *Revenue Recognition*. Revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) all obligations have been substantially performed, (iii) amounts are fixed or determinable and (iv) collectability of amounts is reasonably assured.

In general, revenue arrangements provide for the payment of contractually determined fees in consideration for the grant of certain intellectual property rights for patented technologies. These rights typically include some combination of the following: (i) the grant of a non-exclusive, retroactive and future license to manufacture and/or sell products covered by patented technologies, (ii) a covenant-not-to-sue, (iii) the release of the licensee from certain claims, and (iv) the dismissal of any pending litigation. The intellectual property rights granted may be perpetual in nature, extending until the expiration of the related patents, or can be granted for a defined, relatively short period of time, with the licensee possessing the right to renew the agreement at the end of each contractual term for an additional minimum upfront payment. Pursuant to the terms of these agreements, there is no further obligation with respect to the grant of the nonexclusive retroactive and future licenses, covenants-not-to-sue, releases, and other deliverables, maintain or upgrade the technology, or provide future support or services. Generally, the agreements provide for the grant of the licenses, covenants-not-to-sue, releases, and other significant deliverables upon execution of the agreement, or upon receipt of the minimum upfront payment for term agreement renewals. As such, the earnings process is complete and revenue is recognized upon the execution of the agreement, when collectability is reasonably assured, or upon receipt of the minimum upfront fees, and when all other revenue recognition criteria have been met.

Amounts related to revenue arrangements that do not meet the revenue recognition criteria described above are deferred until the revenue recognition criteria are met.

Operating Costs and Expenses

Operating costs and expenses include the costs and expenses incurred in connection with the patent licensing and enforcement activities and other patent-related legal expenses including, licensing and enforcement related research, consulting and other expenses paid to third-parties and the amortization of patent-related acquisition costs.

Contingent legal fees are expensed in the statement of operations as contingent fees in the period that the related revenues are recognized. In instances where there are no recoveries from potential infringers, no contingent legal fees are paid; however, the Company may be liable for certain out of pocket legal costs incurred pursuant to the underlying legal services agreement. Legal fees advanced by contingent law firms that are required to be paid in the event that no license recoveries are obtained are expensed as incurred and included in liabilities in the balance sheet.

MEDTECH SUBSIDIARIES
NOTES TO COMBINED UNAUDITED FINANCIAL STATEMENTS
September 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Orthophoenix and TLIF have been established as limited liability companies in the United States. As such, all income or losses of the entity and income tax consequences related thereto are passed through its member. Accordingly, Orthophoenix and TLIF do not record any provision for income taxes or deferred income taxes in its financial statements.

MedTech GmbH is subject to taxation in Germany. As such, MedTech GmbH accounts for income taxes using the liability method in accordance with the Income Taxes Topic of the ASC. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is provided for significant deferred tax assets when it is more likely than not that such assets will not be recovered.

Foreign Currency Translation

Assets and liabilities recorded in functional currencies other than the U.S. dollar (Euros for the MedTech GmbH) are translated into U.S. dollars at the period-end rate of exchange. Revenue and expenses are translated at the weighted-average exchange rates for the nine months ended September 30, 2014. The resulting translation adjustments are charged or credited directly to accumulated other comprehensive loss.

Subsequent Events

In connection with the preparation of the accompanying financial statements, management evaluated subsequent events through December 19, 2014, which is the date the financial statements were available to be issued. No events or transactions were identified during this period that required recognition or disclosure in the accompanying financial statements.

3. PATENTS

In April 2013, the Company acquired its entire patent portfolio from Medtronic, Inc. for \$12,500,000 in exchange for a note payable, with principal payments of \$1,500,000 due quarterly until July 2015 and interest accrued at a rate of 8% per annum. The Company may also be liable to pay additional amounts based on settlement amounts relating to such patents.

MEDTECH SUBSIDIARIES
NOTES TO COMBINED UNAUDITED FINANCIAL STATEMENTS
September 30, 2014

3. PATENTS (continued)

At September 30, 2014, accumulated amortization relating to the patents was approximately \$3,747,000 and the weighted average remaining amortization period was 3.8 years. Expected future amortization expense was approximately \$450,000, \$2,100,000, \$2,100,000, \$2,100,000 and \$1,500,000 for the years ending December 31, 2014 (remaining), 2015, 2016, 2017 and 2018, respectively.

At September 30, 2014, approximately \$1,420,000 of accrued interest was included in the note payable amount on the combined financial statements.

4. COMMITMENTS AND CONTINGENCIES

Strategic Advisory Services Agreement

In March 2013, the Company entered into a development advisory services agreement (“Agreement”) with IP Navigation Group, LLC (“IPNav”). As part of the Agreement, IPNav would provide services relating to the acquisition, sale, licensing, enforcement and settlement of intellectual property matters in exchange for a portion of the net consideration, as defined.

Other Agreements

From time to time, the Company may enter into arrangements with external third parties to provide litigation, licensing and enforcement related research, consulting and other services. Fees for such arrangements may vary between fixed fee, hourly or on a contingent fee basis.

Litigation Matters

In the normal course of business, the Company may be engaged in several litigation matters and disputes related to intellectual property matters. The resolution of such matters either through litigation, settlement or through other means have a pervasive effect on the overall business.

Currently, no material legal proceedings or claims are pending, and in the opinion of management, could reasonably be expected to have a

material adverse effect on the business or financial condition.

MedTech Subsidiaries
Unaudited Combined Financial Statements
September 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
MedTech Subsidiaries

Report on the Financial Statements

We have audited the accompanying combined financial statements of OrthoPhoenix, LLC, TLIF, LLC and MedTech Development Deutschland GmbH (collectively "MedTech Subsidiaries"), which comprise the combined balance sheet as of December 31, 2013, and the related combined statements of operations, changes in equity and comprehensive loss, and cash flows for the year then ended and related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of MedTech Subsidiaries as of December 31, 2013, and the results of their combined operations and their combined cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the combined financial statements, on October 10, 2014, MedTech Development, LLC, the parent entity of MedTech Subsidiaries, entered into an Interest Sale Agreement to sell the MedTech Subsidiaries to Marathon Patent Group, Inc.

SQUAR, MILNER, PETERSON, MIRANDA & WILLIAMSON, LLP

Newport Beach, California
December 19, 2014

MEDTECH SUBSIDIARIES
COMBINED BALANCE SHEET
December 31, 2013

ASSETS

Current Assets

Cash	\$ 327,745
Patents, net	<u>9,900,056</u>
Total assets	<u>\$ 10,227,801</u>

LIABILITIES AND EQUITY (ACCUMULATED DEFICIT)

Current Liabilities

Accounts payable and accrued expenses	\$ 58,172
Note payable	<u>6,000,000</u>
Total current liabilities	6,058,172
Note Payable, net of current portion	4,682,192
Commitments and Contingencies (Note 5)	-
Equity (Accumulated Deficit)	<u>(512,563)</u>
Total liabilities and equity	<u>\$ 10,227,801</u>

MEDTECH SUBSIDIARIES
COMBINED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2013

REVENUES	\$ 337,355
OPERATING COSTS AND EXPENSES	
Contingent fees	385,899
Litigation and licensing expenses	101,689
Amortization of patents	2,099,944
Other	1,093
Total operating costs and expenses	<u>2,588,625</u>
LOSS FROM OPERATIONS	(2,251,270)
OTHER EXPENSE	
Interest expense	(682,192)
Other	<u>(3,735)</u>
NET LOSS	<u>\$ (2,937,197)</u>

MEDTECH SUBSIDIARIES
COMBINED STATEMENTS OF CHANGES IN EQUITY AND COMPREHENSIVE LOSS
For the Year Ended December 31, 2013

COMBINED STATEMENT OF CHANGES IN EQUITY

Equity – January 1, 2013	\$ –
Net Contributions from Parent	2,456,713
Accumulated Other Comprehensive Loss	(32,079)
Net Loss	<u>(2,937,197)</u>
Equity (Accumulated Deficit) – December 31, 2013	<u>\$ (512,563)</u>

COMBINED STATEMENT OF COMPREHENSIVE LOSS

Net Loss	\$ (2,937,197)
Foreign Currency Translation Loss	<u>(32,079)</u>
Total Comprehensive Loss	<u>\$ (2,969,276)</u>

MEDTECH SUBSIDIARIES
COMBINED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (2,937,197)
Adjustments to reconcile net loss to cash used in operating activities:	
Depreciation and amortization	2,099,944
Changes in operating assets and liabilities:	
Accounts payable and accrued expenses	58,172
Accrued interest	<u>682,192</u>
Net cash used in operating activities	<u>(96,889)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payment on debt	(2,000,000)
Net contribution from parent	<u>2,456,713</u>
Net cash provided by financing activities	456,713

EFFECT OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH	<u>(32,079)</u>
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NET DECREASE IN CASH	327,745
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CASH – January 1, 2013	<u>–</u>
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CASH – December 31, 2013	<u>\$ 327,745</u>
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NONCASH INVESTING AND FINANCING TRANSACTIONS

Patents acquired with Note Payable	<u>\$ 12,500,000</u>
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MEDTECH SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2013

1. NATURE OF BUSINESS AND ORGANIZATION

Orthophoenix, LLC (“Orthophoenix”), a Delaware company, TLIF, LLC (“TLIF”), a Texas company, and MedTech Development Deutschland GmbH (“MedTech GmbH”), a German company, (collectively “MedTech Subsidiaries” or the “Company”) were formed in 2013 for the purpose of acquiring patents and patent rights and to monetize the value of those assets to generate revenue and profit. Generally, the patents acquired are characterized by having large identifiable companies who are or have been using technology that infringes those patent rights. Portfolio of patents are generally monetized by initiating enforcement activities against infringing parties with the objective of entering into a standard form of comprehensive settlement and license agreement that may include the granting of non-exclusive retroactive and future rights to use the patented technology, a covenant not to sue, a release of the party from certain claims, the dismissal of any pending litigation and other terms that are appropriate in the circumstances. As of December 31, 2013, the Company owned 162 patents or patents pending (Note 3).

On October 10, 2014, MedTech Development, LLC, the parent entity of MedTech Subsidiaries (“MedTech Parent”), entered into an Interest Sale Agreement to sell the MedTech Subsidiaries to Marathon Patent Group, Inc. (“Marathon”) for an aggregate purchase price of \$10.0 million, of which \$1.0 million was paid in cash upon closing and \$9.0 million was paid in the form of a promissory note payable over nine months. MedTech Parent is also entitled to certain possible future cash payments. Marathon also assumed the balance of the note payable in connection with the Company’s acquisition of patents in 2013 (Note 3).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies presented below is designed to assist in understanding the financial statements. Such financial statements and accompanying notes are the representations of management, who is responsible for their integrity and objectivity. Management believes that these accounting policies conform to accounting principles generally accepted in the United States of America (“GAAP”) in all material respects, and have been consistently applied in preparing the accompanying financial statements.

Ownership by MedTech Parent

The Company does not have any employees. All general management and supervision of the business affairs of the Company are performed by MedTech Parent. Consequently, future results of operations for the Company will include costs and expenses that may be materially different than historical results of operations, financial position, and cash flows. Accordingly, the financial statements for these periods may not be indicative of the Company’s future results of operations, financial position, and cash flows.

MEDTECH SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported revenues and expenses during the reporting periods.

On an ongoing basis, management evaluates its estimates, including those related to the estimated useful lives of long-lived assets and the recognition and disclosure of contingent liabilities. These estimates is based on historical data and experience, as well as various other factors that management believes to be reasonable, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions or circumstances.

Patents

Patents include the cost of patents or patent rights (hereinafter, collectively "patents"), acquired from third-parties and are recorded based on the cost to acquire them. The costs of these assets are amortized over their remaining useful lives usually ranging between one and twenty years on a straight-line basis. Useful lives of intangible assets are periodically evaluated for reasonableness and the assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

Impairment of Long-Lived Assets

Management evaluates the recoverability of long-lived assets with finite lives, by assessing potential impairment when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. Management continually monitors events and changes in circumstances that could indicate that the carrying amounts of long-lived assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated future net undiscounted cash flows expected to be generated by the asset. When necessary, impaired assets are written down to their estimated fair value based on the best information available. Estimated fair value is generally based on either appraised value or measured by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from such estimates. Impairment losses are recognized when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. No impairment losses were recorded during the year ended December 31, 2013.

MEDTECH SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 605, *Revenue Recognition*. Revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) all obligations have been substantially performed, (iii) amounts are fixed or determinable and (iv) collectability of amounts is reasonably assured.

In general, revenue arrangements provide for the payment of contractually determined fees in consideration for the grant of certain intellectual property rights for patented technologies. These rights typically include some combination of the following: (i) the grant of a non-exclusive, retroactive and future license to manufacture and/or sell products covered by patented technologies, (ii) a covenant-not-to-sue, (iii) the release of the licensee from certain claims, and (iv) the dismissal of any pending litigation. The intellectual property rights granted may be perpetual in nature, extending until the expiration of the related patents, or can be granted for a defined, relatively short period of time, with the licensee possessing the right to renew the agreement at the end of each contractual term for an additional minimum upfront payment. Pursuant to the terms of these agreements, there is no further obligation with respect to the grant of the nonexclusive retroactive and future licenses, covenants-not-to-sue, releases, and other deliverables, maintain or upgrade the technology, or provide future support or services. Generally, the agreements provide for the grant of the licenses, covenants-not-to-sue, releases, and other significant deliverables upon execution of the agreement, or upon receipt of the minimum upfront payment for term agreement renewals. As such, the earnings process is complete and revenue is recognized upon the execution of the agreement, when collectability is reasonably assured, or upon receipt of the minimum upfront fees, and when all other revenue recognition criteria have been met.

Amounts related to revenue arrangements that do not meet the revenue recognition criteria described above are deferred until the revenue recognition criteria are met.

Operating Costs and Expenses

Operating costs and expenses include the costs and expenses incurred in connection with the patent licensing and enforcement activities and other patent-related legal expenses including, licensing and enforcement related research, consulting and other expenses paid to third-parties and the amortization of patent-related acquisition costs.

Contingent legal fees are expensed in the statement of operations as contingent fees in the period that the related revenues are recognized. In instances where there are no recoveries from potential infringers, no contingent legal fees are paid; however, the Company may be liable for certain out of pocket legal costs incurred pursuant to the underlying legal services agreement. Legal fees advanced by contingent law firms that are required to be paid in the event that no license recoveries are obtained are expensed as incurred and included in liabilities in the balance sheet.

MEDTECH SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Orthophoenix and TLIF have been established as limited liability companies in the United States. As such, all income or losses of the entity and income tax consequences related thereto are passed through its member. Accordingly, Orthophoenix and TLIF do not record any provision for income taxes or deferred income taxes in its financial statements.

MedTech GmbH is subject to taxation in Germany. As such, MedTech GmbH accounts for income taxes using the liability method in accordance with the Income Taxes Topic of the ASC. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is provided for significant deferred tax assets when it is more likely than not that such assets will not be recovered.

As of December 31, 2013, management believes the Company did not have any uncertain tax positions and, accordingly, there is no accrual for any liability for unrecognized tax benefits. Furthermore, there were no adjustments to the liability or lapse of any statutes of limitation or settlements with taxing authorities.

Foreign Currency Translation

Assets and liabilities recorded in functional currencies other than the U.S. dollar (Euros for the MedTech GmbH) are translated into U.S. dollars at the period-end rate of exchange. Revenue and expenses are translated at the weighted-average exchange rates for the year ended December 31, 2013. The resulting translation adjustments are charged or credited directly to accumulated other comprehensive loss.

Subsequent Events

In connection with the preparation of the accompanying financial statements, management evaluated subsequent events through December 19, 2014, which is the date the financial statements were available to be issued. No events or transactions were identified during this period that required recognition or disclosure in the accompanying financial statements.

MEDTECH SUBSIDIARIES
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2013

3. PATENTS

In April 2013, the Company acquired its entire patent portfolio from Medtronic, Inc. for \$12,500,000 in exchange for a note payable, with principal payments of \$1,500,000 due quarterly until July 2015 and interest accrued at a rate of 8% per annum. The Company may also be liable to pay additional amounts based on settlement amounts relating to such patents.

At December 31, 2013, accumulated amortization relating to the patents was approximately \$2,100,000 and the weighted average remaining amortization period was 4.7 years. Expected future amortization expense was approximately \$2,100,000 for the years ending December 31, 2014, 2015, 2016, and 2017 and \$1,500,000 for the year ending December 31, 2018.

At December 31, 2013, approximately \$680,000 of accrued interest was included in the note payable amount on the combined financial statements.

4. COMMITMENTS AND CONTINGENCIES

Strategic Advisory Services Agreement

In March 2013, the Company entered into a development advisory services agreement (“Agreement”) with IP Navigation Group, LLC (“IPNav”). As part of the Agreement, IPNav would provide services relating to the acquisition, sale, licensing, enforcement and settlement of intellectual property matters in exchange for a portion of the net consideration, as defined. During the year ended December 31, 2013, the Company incurred approximately \$67,000 in fees relating to the IPNav agreement.

Other Agreements

From time to time, the Company may enter into arrangements with external third parties to provide litigation, licensing and enforcement related research, consulting and other services. Fees for such arrangements may vary between fixed fee, hourly or on a contingent fee basis.

Litigation Matters

In the normal course of business, the Company may be engaged in several litigation matters and disputes related to intellectual property matters. The resolution of such matters either through litigation, settlement or through other means have a pervasive effect on the overall business.

Currently, no material legal proceedings or claims are pending, and in the opinion of our management, could reasonably be expected to have a material adverse effect on the business or financial condition.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS:

On October 10, 2014, Marathon Patent Group, Inc. (the “Company”) entered into an interest sale agreement (the “Interest Sale Agreement”) with MedTech Development, LLC (“MedTech”) and MedTech Group Acquisition Corp., (“MGA Corp.”), a wholly-owned subsidiary of the Company. Pursuant to the Interest Sale Agreement, MGA Corp. agreed to acquire from MedTech certain subsidiaries of MedTech (the “Acquisition”) consisting of 100% of the limited liability membership interests of OrthoPhoenix, LLC (“Orthophoenix”) and TLIF, LLC (“TLIF”) as well as 100% of the shares of MedTech Development Deutschland GmbH (“MedTech GmbH,” and together with Orthophoenix and MedTech GmbH, the “Subsidiaries”). As a result, MGA Corp. became the sole interest holder of Orthophoenix and TLIF as well as the sole shareholder and owner of MedTech GmbH. Each of the Subsidiaries owns certain medical technology patents, including pending litigation, settlement and licensing rights that are being acquired by the Company in the transaction.

In connection with the Interest Sale Agreement, the Company is obligated to pay to MedTech \$1 million at closing and \$1 million on each of the following nine (9) month anniversary dates of the closing (the “Purchase Payments”). The Subsidiaries are also obligated to make certain additional payments (“Participation Payments”) to MedTech from recoveries following the receipt by the Subsidiaries of 200% of the Purchase Payments, plus recovery of out of pocket expenses in connection with patent claims. The Participation Payments may be paid, at the election of Marathon, in common stock of Marathon at the market price on the date of issuance.

In connection with the transaction, the Company entered into a promissory note, common interest agreement and in the event of issuance of common stock to MedTech, will enter into a lockup and registration rights agreement. Approximately forty-five (45%) of MedTech is owned or controlled by Erich Spangenberg or family members or associates.

The Company accounted for the acquisition as a business combination in accordance with ASC 805 “Business Combinations”. MGA Corp. acquired 100% of the limited liability membership interests of Orthophoenix and TLIF as well as 100% of the shares of MedTech GmbH. We are presenting the historical financial statements of MGA Corp. for the period ended September 30, 2014 and the year ended December 31, 2013 as part of this pro-forma disclosure.

These unaudited pro forma condensed combined financial statements are presented for illustrative purposes only, and the unaudited pro forma condensed combined financial statements should be read in conjunction with the accompanying notes and with the historical financial statements and related notes thereto. The unaudited pro forma condensed consolidated balance sheet is prepared as though the transactions occurred at the close of business on September 30, 2014. The pro forma statements of operations give effect to the transactions as though they occurred on January 1, 2013. Such information is not necessarily indicative of the operating results or financial position that would have occurred had the acquisition been completed on January 1, 2013 or what results would be for any future periods.

Marathon Patent Group, Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2014

	Marathon Patent Group, Inc.	MGA Corp.	Combined Before Pro Forma Adjustments	Pro Forma Adjustments	Marathon Patent Group, Inc. Pro Forma
ASSETS					
Current Assets					
Cash	5,556,584	47,789	5,604,373	(1,047,789) (a)	4,556,584
Accounts Receivable - net	10,510,000	-	10,510,000	-	10,510,000
Prepaid expenses and other current assets	340,456	-	340,456	-	340,456
Total current assets	16,407,040	47,789	16,454,829	(1,047,789)	15,407,040
Other Assets					
Property and equipment, net	13,026	-	13,026	-	13,026
Intangible assets, net	33,514,365	8,252,772	41,767,137	5,020,358 (b)	46,787,495
Goodwill	1,949,401	-	1,949,401	2,221,918 (c)	4,121,319
Deferred Tax Asset	1,606,800	-	1,606,800	-	1,606,800
Other assets	-	-	-	-	-
Total other assets	37,083,592	8,252,772	45,336,364	7,242,276	52,578,640
Total Assets	53,490,632	8,300,561	61,791,193	6,194,487	67,985,680
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities					
Accounts payable and accrued expenses	5,665,707	191,281	5,856,988	(191,281) (d)	5,665,707
Clouding IP earn out	13,115,000	-	13,115,000	-	13,115,000
Note payable	6,062,500	8,921,918	14,984,418	9,000,000 (e)	23,984,418
Income Tax Payable	467,997	-	467,997	-	467,997
Other current liabilities	-	-	-	-	-
Total Liabilities	25,311,204	9,113,199	34,424,403	8,808,719	43,233,122
Stockholders' Equity					
Preferred stock	140	-	140	-	140
Common stock	580	-	580	-	580
Additional paid-in capital	35,709,773	-	35,709,773	-	35,709,773
Other equity	-	-	-	-	-
Accumulated deficits	(7,531,065)	(812,638)	(8,343,703)	(2,614,232) (f)	(10,957,935)
Total stockholder's equity	28,179,428	(812,638)	27,366,790	(2,614,232)	24,752,558
Total Liabilities and Stockholder's Equity	53,490,632	8,300,561	61,791,193	6,194,487	67,985,680

Marathon Patent Group, Inc.
Unaudited Pro Forma Condensed Combined Statements of Operation
For the period ended September 30, 2014

	Marathon Patent Group, Inc.	MGA Corp.	Combined Before Pro Forma Adjustments	Pro Forma Adjustments	Marathon Patent Group, Inc. Pro Forma
Revenues	20,059,972	293,468	20,353,440	-	20,353,440
Cost of revenues (cost of revenue is exclusive of patent amortization expenses)	8,448,954	801,918	9,250,872	-	9,250,872
Gross Profit	11,611,018	(508,450)	11,102,568	-	11,102,568
Expenses					
Amortization of intangibles	2,872,638	1,647,284	4,519,922	1,713,435 (g)	6,233,357
Compensation and related taxes	2,266,283	-	2,266,283	-	2,266,283
Consulting fees	1,550,155	-	1,550,155	-	1,550,155
Professional fees	933,751	-	933,751	-	933,751
General and administrative	380,400	-	380,400	-	380,400
Total operating expenses	8,003,227	1,647,284	9,650,511	1,713,435	11,363,946
Operating income (loss) from continuing operations	3,607,791	(2,155,734)	1,452,057	(1,713,435)	(261,378)
Other income					
Other income	1,486,223	-	1,486,223	-	1,486,223
Other expense	(3,441,764)	(742,341)	(4,184,105)	-	(4,184,105)
Net Income (Loss)	<u>1,652,250</u>	<u>(2,898,075)</u>	<u>(1,245,825)</u>	<u>(1,713,435)</u>	<u>(2,959,260)</u>
Net income (loss) per share - basic	0.30				(0.53)
Net income (loss) per share - diluted	0.21				(0.53)
Weighted average number of shares outstanding during the period - basic	5,598,687				5,598,687
Weighted average number of shares outstanding during the period - diluted	7,983,227				7,983,227

Marathon Patent Group, Inc.
Unaudited Pro Forma Condensed Combined Statements of Operation
For the year ended December 31, 2013

	Marathon Patent Group, Inc.	MGA Corp.	Combined Before Pro Forma Adjustments	Pro Forma Adjustments	Marathon Patent Group, Inc. Pro Forma
Revenues	3,418,371	337,355	3,755,726	-	3,755,726
Cost of revenues (cost of revenue is exclusive of patent amortization expenses)	957,040	487,588	1,444,628	-	1,444,628
Gross Profit	2,461,331	(150,233)	2,311,098	-	2,311,098
Expenses					
Amortization of intangibles	1,038,505	2,099,944	3,138,449	1,713,435 (g)	4,851,884
Compensation and related taxes	2,997,053	-	2,997,053	-	2,997,053
Consulting fees	901,686	-	901,686	-	901,686
Professional fees	655,202	-	655,202	-	655,202
General and administrative	544,338	1,093	545,431	-	545,431
Total operating expenses	6,136,784	2,101,037	8,237,821	1,713,435	9,951,256
Operating income (loss) from continuing operations	(3,675,453)	(2,251,270)	(5,926,723)	(1,713,435)	(7,640,158)
Other income					
Other income	265,012	-	265,012	-	265,012
Other expense	(39,894)	(685,927)	(725,821)	-	(725,821)
Net Loss	<u>(3,450,335)</u>	<u>(2,937,197)</u>	<u>(6,387,532)</u>	<u>(1,713,435)</u>	<u>(8,100,967)</u>
Net loss per share - basic	(0.75)				(1.76)
Weighted average number of shares outstanding during the period - basic and diluted	4,604,193				4,604,193

Marathon Patent Group, Inc.
Significant Notes and Assumptions to the Pro Forma Condensed Combined Financial Statements

Note 1 – Acquisition Consideration and Fair Value of Clouding IP Assets

The Company accounted for the acquisition as a business combination in accordance with ASC 805 “Business Combinations”. The Company determined the fair value of the assets purchases, and the net purchase price paid by the Company was subsequently allocated to assets acquired and liabilities assumed on the records of the Company as follows:

Intangible assets	\$ 16,700,000
Goodwill	2,221,918
Net purchase price	<u><u>\$ 18,921,918</u></u>

Total consideration paid of the following:

Cash	\$ 1,000,000
Promissory Note	17,921,918
Net purchase price	<u><u>\$ 18,921,918</u></u>

Note 2 – Pro Forma Presentation Adjustments

The adjustments included in the column under the heading “Pro Forma Adjustments” in the unaudited pro forma condensed combined financial statements are as follows:

- (a) To record the cash portion of the consideration for the acquisition, net of cash retained by MedTech.
- (b) To record the fair value of the MGA Corp. assets acquired. The Company determined that the fair value of the assets owned by the Subsidiaries were \$16,700,000 at the time of the acquisition.
- (c) To reflect the fair value of the goodwill associated with the acquisition of the assets of the Subsidiaries.
- (d) To eliminate accounts payable retained or settled by MedTech prior to the closing date.
- (e) To record the issuance of a note payable to MedTech in the amount of \$9.0 million as part of the purchase consideration of the Subsidiaries and the assumption of a note payable in the amount of \$8.9 million.
- (f) To eliminate Medtech’s parent company investment in the Subsidiaries.
- (g) To record patent amortization of the step up in value of the patents.