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

FORM 10-Q

☒·QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

☐·TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from _________________ to _______________

Commission File Number 333-136436

MEDICAL IMAGING CORP.

(Exact name of registrant as specified in charter)

NEVADA	**98-0493698**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
848 N. Rainbow Blvd. #2494, Las Vegas, Nevada	**89107**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code (877) 331-3444

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

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

Indicate by check mark 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 ☐ (Do not check if smaller reporting company)	Smaller reporting company ☒

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

As of May 10, 2016 the Company had outstanding 25,561,481 shares of its common stock.

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Item 1. Consolidated Financial Statements

Medical Imaging Corp.
Consolidated Balance Sheets (Unaudited)

	March 31 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 149,789	$ 109,914
Accounts Receivable - Direct Billings	981,994	708,479
Accounts Receivable - Third Party Billings (Florida Operations)	463,155	503,206
Allowance for Doubtful Accounts - Direct Billings	(56,475)	(56,475)
Allowance for Doubtful Accounts - Third Party Billings (Florida Operations)	(275,000)	(275,000)
Accounts Receivable, net	1,113,674	880,210
Prepaid Expenses	20,108	19,204
Total Current Assets	1,283,571	1,009,328
Property and Equipment		
Equipment	3,491,535	3,454,718
Less: Accumulated Depreciation	(1,140,326)	(998,224)
Total Property and Equipment, net	2,351,209	2,456,494
Goodwill	1,977,670	1,977,670
Other Assets		
Deposits	15,990	11,764
Total Other Assets	15,990	11,764
TOTAL ASSETS	$ 5,628,440	$ 5,455,256
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts Payable	$ 1,327,443	$ 1,212,430
Accrued Liabilities	602,243	580,336
Obligations Under Capital Lease, short term portion	193,286	205,740
Promissory Notes, short term portion	247,298	409,789
Royalty Financing, short term portion	117,145	106,141
Convertible Notes, net short term portion	57,243	156,425
Total Current Liabilities	2,544,658	2,670,861
Long Term Liabilities		
Obligations Under Capital Lease, long term portion	254,575	267,146
Promissory Notes, long term portion	500,000	-
Royalty Financing, long term portion	1,792,100	1,828,960
Convertible Notes, net long term portion	2,358,196	2,267,575
Total Long Term Liabilities	4,904,871	4,363,681
Total Liabilities	7,449,529	7,034,542
Commitments and Contingencies	-	-
Stockholders' Deficit		
Preferred Stock-$0.001 par value; 5,000,000 shares authorized, no shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	-	-
Common Stock-$0.001 par value; 500,000,000 shares authorized, 25,561,481 and 25,391,481 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	25,562	25,392
Additional Paid-In Capital	2,043,293	2,034,758
Accumulated Other Comprehensive Income	181,134	140,670
Accumulated Deficit	(4,071,078)	(3,780,106)
Total Stockholders' Deficit	(1,821,089)	(1,579,286)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 5,628,440	$ 5,455,256

The accompanying notes are an integral part of these consolidated financial statements.

Medical Imaging Corp.
Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31 2016	Three Months Ended March 31 2015
Revenue:		
Sales	$ 1,922,485	$ 1,820,517
Less: Cost of sales	955,180	951,466
Gross Margin	967,305	869,051
Operating Expenses:		
Labor	318,002	331,771
General and Administrative	217,090	188,802
Rent Office Space and Servers	138,027	132,693
Depreciation	137,582	135,724
Legal and professional	106,877	142,895
Insurance	21,592	24,950
Travel	8,862	8,515
Advertising	6,351	9,516
Management fees	5,100	18,313
Total Operating Expenses	959,483	993,179
Income from Operations	7,822	(124,128)
Other Income and (Expenses):		
Other Income	6,011	6,024
Foreign Currency Gains (Losses)	(38,324)	2,236
Interest & Penalties Expense	(105,147)	(157,812)
Amortization of Debt Discount	(161,334)	(112,291)
Total Other Income (Expenses)	(298,794)	(261,843)
Loss Before Provision for Income Taxes	(290,972)	(385,971)
Provision for Income (Taxes) Credit	-	-
Net Loss	(290,972)	(385,971)
Comprehensive Income	40,464	19,397
Total Comprehensive Loss	$ (250,508)	$ (366,574)
Basic and Diluted Loss per Share	$ (0.010)	$ (0.015)
Weighted Average Shares Outstanding:		
Basic and Diluted	25,440,162	24,098,259

The accompanying notes are an integral part of these consolidated financial statements.

Medical Imaging Corp.
Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31 2016	Three Months Ended March 31 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	$ (290,972)	$ (385,971)
Adjustments to Reconcile Net Loss to Net Cash provided by Operating Activities:		
Depreciation	137,582	135,724
Amortization of Debt Discount	161,334	112,291
Stock-based compensation	-	92,919
Foreign currency transaction (Gain) Loss	(157)	519
Changes in operating assets and liabilities:		
Accounts Receivable	(233,464)	(160,703)
Prepaid Expenses	(904)	801
Loans Receivable	-	1,497
Accounts Payable and Accrued Liabilities	121,920	114,653
NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES	(104,661)	(88,270)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposit on Leasehold Improvements	(3,983)	-
Equipment Purchase	(14,445)	(12,488)
NET CASH USED IN INVESTING ACTIVITIES	(18,428)	(12,488)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Promissory Notes	670,000	354,000
Proceeds from Convertible Debt	-	20,000
Royalty Fee Payment	(100,932)	(102,122)
Principal Payments on Promissory Notes	(388,444)	(272,950)
Principal Payments on Convertible Notes	(15,000)	(15,000)
Principal Payments on Capital Lease Obligations	(43,124)	(33,255)
NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) FINANCING ACTIVITIES	122,500	(49,327)
Gain due to foreign currency translation	40,464	19,397
NET CHANGE IN CASH AND CASH EQUIVALENTS	39,875	(130,688)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	109,914	188,206
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 149,789	$ 57,518
Cash paid during the year for:		
Interest	$ 78,489	$ 157,812
Income Taxes	$ 27,280	$ 17,308
Non-cash financing and investing activities:		
Shares Issued for Convertible Note	$ 8,421	$ 1,040
Warrants Issued for Convertible Notes	$ 285	$ -
Equipment purchased under Capital Lease	$ 16,618	$ 20,043
Accrued Interest converted to Note	$ 15,000	$ 75,039

The accompanying notes are an integral part of these consolidated financial statements.

Note 1. Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Medical Imaging Corp., ("MIC" or the "Company"), a Nevada Corporation was incorporated in 2000. In 2005, the Company developed a business plan for private healthcare opportunities in Canada with the objective of owning and operating private diagnostic imaging clinics. In 2009, the Company purchased Canadian Teleradiology Services Inc., which operates as: Custom Teleradiology Services ("CTS"). CTS provides remote reading of medical diagnostic imaging scans for rural hospitals and clinics in Canada. In early 2010, the Company modified its business plan to grow its CTS subsidiary while commencing the acquisition of existing full service imaging clinics located in the United States and exploring the development of new diagnostic imaging technology. In 2012, the Company purchased Schuylkill Open MRI Inc., which operates as: Schuylkill Medical Imaging ("SMI"), an independent diagnostic imaging facility located in Pottsville, Pennsylvania. In 2014, the company purchased Partners Imaging Center of Venice, LLC ("PIV") located in Venice, Florida; Partners Imaging Center of Naples, LLC ("PIN") located in Naples, Florida; and Partners Imaging Center of Charlotte, LLC ("PIC") located in Port Charlotte, Florida.

Basis of Presentation

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in U.S. dollars. The Company's fiscal year-end is December 31.

Principle of Consolidation

The consolidated financial statements include the accounts of Medical Imaging, Corp., and its wholly-owned subsidiaries, CTS, SMI, PIV, PIN, and PIC. Intercompany accounts and transactions have been eliminated in the consolidated financial statements. CTS', SMI's, PIV's, PIN's, and PIC's accumulated earnings prior to their acquisitions are not included in the consolidated balance sheet.

Use of Estimates and Assumptions

The preparation of consolidated 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 consolidated financial statements are published, and (iii) the reported amount of net sales, expenses and costs 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 consolidated financial statements; accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. At March 31, 2016, and December 31, 2015, cash includes cash on hand and cash in the bank.

Accounts Receivable Credit Risk

The allowance for doubtful accounts is maintained at a level sufficient to provide for estimated credit losses based on evaluating known and inherent risks in the receivables portfolio.

Management evaluates various factors including expected losses and economic conditions to predict the estimated realization on outstanding receivables.

As of March 31, 2016 and December 31, 2015, the allowance for doubtful accounts from direct billings was $56,475.

There was no change in allowance for doubtful accounts from direct billings for the three months ended March 31, 2016 and 2015.

As of March 31, 2016 and December 31, 2015, the allowance for doubtful accounts from third party billings (Florida operations) was $275,000.

There was no change in the allowance for doubtful accounts from third party billings (Florida operations) for the three months ended March 31, 2016 and 2015.

In connection with the acquisition of the three facilities located in Venice, Port Charlotte and Naples, Florida, the Company, in October 2014, entered into professional services agreements whereby the seller of those three facilities continued to handle the billing and collection for the imaging centers (the “third party billing”). The seller must still provide a full set of verification data to the Company with respect to its account receivable processing and collections so that the Company can determine the extent to which accounts submitted by the seller in connection with the third party billing have been collected or denied. Final verification will only be able to be completed after the conclusion of the services performed pursuant to the third party billing contract, which is expected during the 2016 fiscal year.

Goodwill and Indefinite Intangible Assets

The Company follows the provisions of Financial Accounting Standard (“FASB”) Accounting Standards Codification (“ASC”) Topic 350, *Goodwill and Other Intangible Assets*. In accordance with ASC Topic 350, goodwill, representing 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 acquisitions date. Under this standard, goodwill and intangibles with indefinite useful lives are not amortized. The Company assesses goodwill and indefinite-lived intangible assets for impairment annually, 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. As of December 31, 2014, the Company has goodwill of $1,422,670 as result of the acquisition of SMI on December 10, 2012. $132,143, $158,571, and $264,286 as a result of the acquisitions of PIC, PIN, PIV, respectively, that occurred on October 31, 2014. If the implied fair value of goodwill is lower than its carrying amount, goodwill impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the consolidated financial statements.

No Goodwill impairment was recognized during 2015 or 2016.

Revenue Recognition

The Company holds contracts with several hospitals and groups of health care facilities to provide Teleradiology services for a specific period of time. The Company bills for services rendered on a monthly basis. For the three months ended March 31, 2016, CTS held six contracts; four contracts that are renewable on a year-to-year basis and two contracts that are renewable in 2016 and 2018. In accordance with the requirement of Staff Accounting Bulletin (“SAB”) 104, the Company recognizes revenue when: (1) persuasive evidence of an arrangement exists (contracts); (2) delivery has occurred (monthly); (3) the seller’s price is fixed or determinable (per the customer’s contract, and services performed); and (4) collectability is reasonably assured (based upon our credit policy).

Revenue is accounted for under the guidelines established by SAB 101, *Revenue Recognition in Financial Statements,* and ASC Topic 605-45, *Revenue Recognition – Principal Agent Considerations*. For CTS, the Company has the following indicators of gross revenue reporting: (1) CTS is the primary obligator in the provision of services to the Hospitals under contract, (2) CTS has latitude in establishing price, and negotiating contracts with each hospital, (3) CTS negotiates and determines the service specification to be provided to each hospital client, (4) CTS has complete discretion in supplier selection, and (5) CTS has the credit risk. Accordingly, the Company records CTS revenue at gross.

For SMI, PIV, PIN, and PIC, revenue is recognized on the date of service and recorded on an aggregate monthly basis.

Cost of Sales

Cost of sales includes fees paid to radiologists for reading services, transcription fees, equipment repairs, system license and usage costs.

Impairment of Long-Lived Assets

In accordance with ASC Topic 360, *Property, Plant and Equipment,* property, and equipment, and purchased intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Goodwill and other intangible assets are tested for impairment at least annually.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Amortization and Depreciation

Depreciation and amortization are calculated using the straight-line method over the following useful lives:

3 - 7 years	Equipment
5 – 7 years	Furniture and Fixtures
3 - 5 years	Non-compete Contract
5 - 15 years	Leasehold Improvements

Stock based compensation

The Company follows ASC 718, *Stock Compensation*; a fair value calculation is performed by the Company to establish the "grant date fair value" of each award which will also be the amount recorded by the Company as stock based compensation expense pursuant to the guidance set forth in ASC 718 to produce an estimated fair value.

The Company measures all share-based payments to employees (which includes non-employee Board of Directors), including employee stock options, warrants and restricted stock, at the fair value of the award and expenses it over the requisite service period (generally the vesting period). The fair value of common stock options or warrants granted to employees is estimated at the date of grant using the binomial option pricing model ("BOPM"). The calculation also takes into account the common stock fair market value at the grant date, the exercise price, the expected life of the common stock option or warrant, the dividend yield and the risk-free interest rate.

The Company from time to time may issue stock options, warrants and restricted stock to acquire goods or services from third parties. Restricted stock, options or warrants issued to other than employees or directors are recorded on the basis of their fair value. The options or warrants are valued using the BOPM on the basis of the market price of the underlying equity instrument on the "valuation date," which for options and warrants related to contracts that have substantial disincentives to non-performance, is the date of the contract, and for all other contracts is the vesting date. Expenses related to the options and warrants are recognized on a straight-line basis over the period which services are to be received.

There was no stock-based compensation expense to non-employees for the three months ended March 31, 2016.

For the three months ended March 31, 2015, the Company recognized stock-based compensation expenses from stock granted to non-employees of $34,683 from stock options. The options were valued using the BOPM and included in the legal and professional operating expenses in the consolidated statements of operations.

There was no stock-based compensation expense to employees for the three months ended March 31, 2016.

For the three months ended March 31, 2015, the Company recognized stock-based compensation expenses of $47,896 from stock options, and $10,340 from stock granted to employees. The options were valued using the BOPM and included in the labor and management fees operating expenses in the consolidated statements of operations for $34,683, and $13,213, respectively.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced sale or liquidation.

The carrying amounts of the Company's financial instruments, including cash, accounts receivable, prepaid expenses, accounts payable, accrued liabilities and notes and loans payable approximate fair value due to their most maturities.

Fair Value Measurements

The Company follows paragraph 825-10-50-10 of the FASB AS for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB ASC ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in U.S. GAAP, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

Level 1 Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2 pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3 pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amounts of the Company's financial assets and liabilities, such as cash and accounts payable approximate their fair values because of the short maturity of these instruments.

The Company does not have assets and liabilities that are carried at fair value on a recurring basis.

Foreign Currency Translation

The Company's functional currency for its wholly-owned subsidiary, CTS, is the Canadian dollar, and their financial statements have been translated into U.S. dollars. The Canadian dollar based accounts of the Company's foreign operations have been translated into United States dollars using the current rate method. Assets and liabilities of those operations are translated into U.S. dollars using exchange rates as of the balance sheet date; income and expenses are translated using the weighted average exchange rates for the reporting period. Translation adjustments are recorded as accumulated other comprehensive income (loss), a separate component of stockholders' equity.

The Company recognized a foreign currency loss on transactions from operations of $38,324 and foreign currency gain of $2,236 for the three months ended March 31, 2016 and 2015, respectively.

The Company recognized other comprehensive gain of $40,464 and $19,397 for the three months ended March 31, 2016 and 2015, respectively.

Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes*. This statement prescribes the use of the asset and liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Net Income (Loss) Per Share

The Company follows the provisions of ASC Topic 260, *Earnings per Share*. Basic net income (loss) per share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding during the period. Basic and diluted losses per share are the same as all potentially dilutive securities are anti-dilutive.

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock or conversion of notes into shares of the Company's common stock that could increase the number of shares outstanding and lower the earnings per share of the Company's common stock. This calculation is not done for periods in a loss position as this would be antidilutive.

The information related to basic and diluted earnings per share is as follows:

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Total Comprehensive Loss	$ (250,508)	$ (366,574)
Denominator:		
Weighted average number of shares outstanding – basic and diluted	25,440,162	24,098,259
EPS:		
Basic and Diluted	$ (0.010)	$ (0.015)

Recent Accounting Updates

The Company does not expect the adoption of any other recently issued accounting pronouncements to have a significant impact on its results of operations, financial position or cash flow.

Updates issued but not yet adopted

The Company does not expect the adoption of any other recently issued accounting pronouncements to have a significant impact on its results of operations, financial position or cash flow.

Note 2. Interim Financial Statements

The accompanying interim unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and 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 our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. For further information, refer to the financial statements and footnotes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Note 3. Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight - line method over the estimated useful life of the assets. At March 31, 2016 and December 31, 2015, the major class of property and equipment were as follows:

	March 31, 2016	December 31, 2015	Estimated useful lives
Computer/Office Equipment	$ 476,489	$ 454,117	3-7 years
Medical Equipment	2,171,265	2,156,820	3-7 years
Leasehold Improvements	843,781	843,781	5-15 years
Less: Accumulated Depreciation	(1,140,326)	(998,224)	
Net Book Value	$ 2,351,209	$ 2,456,494	

Depreciation expense was $137,582 and $135,724 for the three months ended March 31, 2016 and 2015, respectively.

Note 4. Goodwill

There was no change in the carrying amount of goodwill for the two years ended March 31, 2016:

Balance as of January 1, 2015	$ 1,977,670
Changes in goodwill during the year	-
Balance as of December 31, 2015	1,977,670
Changes in goodwill during the year	-
Balance as of March 31, 2016	$ 1,977,670

Note 5. Operating Lease Commitments

CTS has a lease commitment for its office space of approximately $2,450 minimum rental, and approximately $3,550 in utilities, realty taxes, and operating costs, for a total of approximately $6,000 per month. The lease renewed in April 2013 for a period of five years and will expire in March 2018. On renewal, CTS was given a rental credit of approximately $28,000.

SMI entered into a lease commitment for its office space in Pottsville, Pennsylvania. The lease will expire on June 30, 2016, and it is renewable for an additional term of 5 years on the same terms and conditions. Monthly rental amounts are $5,437 per month plus approximately $1,674 in utilities, realty taxes, and operating costs.

SMI has a lease for its x-ray equipment space in Pottsville, Pennsylvania. The lease term is seven years from commitment date of October 2014. Monthly lease payments are $3,000.

SMI has a lease for use of x-ray equipment and space in Pottsville, Pennsylvania. The lease term is two years from commitment date of January 2016. Monthly lease payments are $2,000.

SMI has a lease for office space in Dallas, Texas of approximately $880 per month. The lease will expire in August 31, 2016.

PIV has a lease for office space in Venice, Florida. The lease will expire October 1, 2016. Monthly rental amounts are $15,377 per month.

PIN has a lease for office space in Naples, Florida. The lease will expire January 1, 2020. Monthly rental amounts are $9,543 per month.

PIC has a lease for office space in Port Charlotte, Florida. The lease will expire June 20, 2021. Monthly rental amounts are $5,512 per month.

Expected lease commitments as of March 31, 2016:

Year	Total
2016	$ 410,750
2017	318,660
2018	225,660
2019	204,660
2020	90,144
Thereafter	53,072
	$ 1,302,946

Note 6. Obligations Under Capital Lease

SMI MRI Machines Capital Lease:

On December 10, 2012, the Company entered into a lease agreement with one of the sellers of SMI to lease the two MRI machines. Under the terms of the lease, SMI is to make monthly payments of $11,013, plus applicable sales tax, over a period of 48 months. In addition, SMI agreed to make a one-time lease payment of $125,000, which was paid by March 30, 2013. The Company has guaranteed all of SMI's obligations under the lease. At the end of the lease, SMI will have the option to purchase the MRI machines for a total purchase price of $1.00. The lease was accounted for as a capital lease for a total value of $555,000.

The gross amount of the equipment held under capital leases totals $555,000. Net book value at March 31, 2016 was $185,083 after accumulated depreciation of $369,917. Net book value at December 31, 2015 was $218,833 after accumulated depreciation of $342,167.

Amortization of the capital lease assets is included in the depreciation expense of $27,750 for the three months ended March 31, 2016, and 2015.

SMI X-ray Machine Capital Lease:

On July 3, 2014, Company entered into a capital lease agreement to lease the x-ray machine that was delivered and installed in July 2014. Under the terms of the lease, the Company's subsidiary, SMI, is to make monthly payments of $1,495, plus applicable sales tax, over a period of 60 months. At the end of the lease, SMI will have the option to purchase the MRI machines for a total purchase price of $1.00. The lease was accounted for as a capital lease for a total value of $78,250.

The gross amount of the x-ray machine held under the capital lease is $78,250. Net book value at March 31, 2016 was $50,863 after accumulated amortization of $27,388. Net book value at December 31, 2015 was $54,775 after accumulated amortization of $23,475.

Amortization of the capital lease assets is included in the depreciation expense of $3,913 for the three months ended March 31, 2016, and 2015, respectively.

SMI PACS/RIS System Capital Lease:

On August 19, 2014, the Company entered into a capital lease agreement to lease PACS/RIS system that was delivered and installed in December 2014. Under the terms of the lease, the Company's subsidiary, SMI, is to make monthly payments of $3,115, plus applicable sales tax, over a period of 60 months. At the end of the lease, SMI will have the option to purchase the system for a total purchase price of $1.00. The lease was accounted for as a capital lease for a total value of $162,333.

The gross amount of the PACS/RIS system held under the capital lease is $162,333. Net book value at March 31, 2016 was $116,338 after accumulated amortization of $45,994. Net book value at December 31, 2015 was $124,455 after accumulated amortization of $37,878.

Amortization of the capital lease assets is included in the depreciation expense of $8,117 for the three months ended March 31, 2016, and 2015.

SMI Copier Capital Lease:

On February 1, 2016, the Company entered into a capital lease agreement to lease computers that were delivered and installed in February 2016. Under the terms of the lease, the Company is to make monthly payments of $135, plus applicable sales tax, over a period of 31 months. At the end of the lease, the company will have the option to purchase the computers for a total purchase price of $1.00. The lease was accounted for as a capital lease for a total value of $2,968. In addition, SMI made a deposit payment of $530 that was applied to the balance owing towards the copier.

The gross amount of the Digital Printers held under the capital lease is $3,498. Net book value at March 31, 2016 was $3,304 after accumulated amortization of $194.

Amortization of the capital lease assets is included in the depreciation expense of $194 and $0 for the three months ended March 31, 2016, and 2015, respectively.

PV, PN, PC PACS/RIS Capital Lease:

On November 26, 2014, the Company entered into a capital lease agreement to lease PACS/RIS system that was delivered and installed in December 2014. Under the terms of the lease, the Company's subsidiary, PIV, is to make monthly payments of $3,094, plus applicable sales tax, over a period of 60 months. At the end of the lease, PIV will have the option to purchase the system for a total purchase price of $1.00. The lease was accounted for as a capital lease for a total value of $167,107.

The gross amount of the PACS/RIS system held under the capital lease is $167,107. Net book value at March 31, 2016 was $123,937 after accumulated amortization of $43,169. Net book value at December 31, 2015 was $132,292 after accumulated amortization of $34,815.

Amortization of the capital lease assets is included in the depreciation expense of $8,355for the three months ended March 31, 2016, and 2015, respectively.

PV, PN, PC Computers Capital Lease:

On December 10, 2014, the Company entered into a capital lease agreement to lease computers that were delivered and installed in December 2014. Under the terms of the lease, the Company is to make monthly payments of $813, plus applicable sales tax, over a period of 36 months. At the end of the lease, the company will have the option to purchase the computers for a total purchase price of $1.00. The lease was accounted for as a capital lease for a total value of $25,108.

The gross amount of the computers held under the capital lease is $25,108. Net book value at March 31, 2016 was $14,298 after accumulated amortization of $10,810. Net book value at December 31, 2015 was $16,390 after accumulated amortization of $8,718.

Amortization of the capital lease assets is included in the depreciation expense of $2,092 for the three months ended March 31, 2016, and 2015, respectively.

PV, PN, PC Digital Printers Capital Lease:

On March 15, 2016, the Company entered into a capital lease agreement to lease digital printers that were delivered and installed in March 2016. Under the terms of the lease, the Company is to make monthly payments of $423, plus applicable sales tax, over a period of 36 months. At the end of the lease, the company will have the option to purchase the computers for a total purchase price of $1.00. The lease was accounted for as a capital lease for a total value of $13,120. The gross amount of the Digital Printers held under the capital lease is $13,120. Net book value at March 31, 2016 was $12,938 after accumulated amortization of $182.

Amortization of the capital lease assets is included in the depreciation expense of $182 and $0 for the three months ended March 31, 2016, and 2015, respectively.

CTS Computers Lease

On January 21, 2015, the Company entered into a capital lease agreement to lease computers that were installed on the same date of acceptance. Under the terms of the lease, the Company is to make monthly payments of $529, plus applicable sales tax, over a period of 36 months. At the end of the lease, the Company will have the option to purchase the computers for a total purchase price of $1.00. The lease was accounted for as a capital lease for a total value of $18,384.

The gross amount of the computers held under the capital lease is $18,997. Net book value at March 31, 2016 was $11,989 after accumulated amortization of $7,629. Net book value at December 31, 2015 was $12,767 after accumulated amortization of $6,230.

Amortization of the capital lease assets is included in the depreciation expense of $1,534, and $1,139 for the three months ended March 31, 2016, and 2015, respectively.

Minimum future lease payments under the capital leases as of March 31, 2016 are as follow:

Minimum Lease Payments	Total
2016	$ 185,868
2017	114,858
2018	99,733
2019	84,201
2020	3,094
Total minimum lease payments	487,754
Less amount representing interest	39,893
Present value of minimum lease payments	447,861
Less current portion of minimum lease payments	193,286
Long-term capital lease obligations at March 31, 2016	$ 254,575

Note 7. Promissory Notes

During the year ended December 31, 2015, the Company issued loans totaling $559,000. The loans call for weekly payments of $13,000 towards the principal balance and interest. The loans were collateralized by the Accounts Receivable of PIV, PIN, and PIC. The notes were paid off early on February 29, 2016.

In June and December 2015, the Company has issued loans of $120,700 and $86,400, respectively. The loans' terms call for a daily payment of $509, towards the principal balance and interest. The final payment is due February 14, 2017. The loans are collateralized by the Accounts Receivable of: SMI, PIV, PIN, and PIC.

In June 2015, the Company issued a loan of $147,224. The loan terms call for a daily payment of $553, towards the principal balance and interest. The loans were collateralized by the Accounts Receivable of: CTS SMI, PIV, PIN, and PIC. The final payment had an original maturity date of July 7, 2016. The note was paid off early on March 2, 2016.

On February 23, 2016 the Company sold a bridge convertible promissory note for $100,000 to a private investor. The Note pays interest monthly at an annual rate of 12%. As an inducement to purchase the Note, the investor was also given 100,000 shares of common stock of the Company. The note is due on February 23, 2017 but may be converted into a future financing of notes sold by the Company. In accordance with ASC 470, *Debt with conversion and other options, ("ASC 470")* on issuance of the shares, the Company recognized additional paid-in capital and a discount against the notes for a total of $7,000. Amortization of the discount for the three months ended March 31, 2016 and 2015 was $583, and $0, respectively.

On February 25, 2016, the Company sold to Grenville Strategic Royalty Corp. ("Holder") a convertible note for the principal amount of $500,000. The Note pays interest monthly at an annual rate of 25%.From July 30, 2016 through to August 31, 2017, the Holder may elect to convert the Note into a temporary royalty and receive a monthly payment equal to a specified percentage of the Company's revenue for the previous month, subject to certain minimum payments, in lieu of interest payments. However, in such case the Company may still buy back the temporary royalty for the original face value of the Note. If the Note is outstanding as of August 31, 2017, then the Note may be converted into a permanent royalty based on the revenues of the Company (the "Royalty") at the Holder's election, subject to certain minimum payments.
The Holder will maintain a security interest in the Company until such time as the Note is retired, the Company raises $1,200,000 in additional capital, or the Note is converted into the Royalty.

On March 22, 2016, the Company sold additional $70,000 in a bridge convertible promissory note to a private investor. The Note pays interest monthly at an annual rate of 12%. As an inducement to purchase the Note, the investor was also given 70,000 shares of common stock of the Company. The note is due on March 22, 2017 but may be converted into a future financing of notes sold by the Company. In accordance with ASC 470, *Debt with conversion and other options, ("ASC 470")* on issuance of the shares, the Company recognized additional paid-in capital and a discount against the notes for a total of $1,421. Amortization of the discount for the three months ended March 31, 2016 and 2015 was $118, and $0, respectively.

A summary of the promissory notes is as follows:

Issuance Date	December 31, 2015 Balance	Notes Issued	Payments	Changes in Discount	March 31, 2016 Balance	Maturity Date
21-Mar-11	$ 7,752	$ -	(7,752)	$ -	$ -	18-Mar-16
16-Jun-15	108,456	-	(31,468)	8,030	85,018	14-Feb-17
16-Jun-15	58,581	-	(58,581)	-	-	02-Mar-16
04-Aug-15	10,000	-	(10,000)	-	-	05-Jan-16
22-Sep-15	125,000	-	(125,000)	-	-	29-Feb-16
22-Dec-15	100,000	-	(100,000)	-	-	29-Feb-16
16-Feb-16		100,000	-	(6,417)	93,583	23-Feb-17
22-Feb-16		500,000	-	-	500,000	31-Aug-17
22-Mar-16		70,000	-	(1,303)	68,697	22-Mar-17
Total	$ 409,789	$ 670,000	$ (332,801)	$ 310	$ 747,298	

Note 8. Convertible Notes

Series B:

On December 5, 2012 and March 27, 2013, the Company sold, through a private placement to accredited investors, three year 12% convertible notes ("Series B Notes") in the aggregate principal amount of $1,865,000, and $365,000, respectively. The Notes pay interest at a rate of 12% per annum, payable to the holder at 1% per month, and are convertible into common shares of the Company at $0.15 per share. In addition, each purchaser of the Notes received shares dependent on the dollar amount of Notes purchased. The total number of shares of common stock issued was 5,315,000 shares.

In accordance with ASC 470, *Debt with conversion and other options, ("ASC 470")* on issuance of the shares, the Company recognized additional paid-in capital and a discount against the notes for a total of $244,275. Amortization of the discount for the three months ended ended March 31, 2016 and 2015 was $3,322, and $30,356, respectively.

On December 1, 2015, the holders of $1,840,000 Series B Notes have agreed to extend the maturity date of the debt outstanding to July 1, 2017 from its original maturity date of December 31, 2015. As part of the extension the Company issued warrants to entitle the holders to purchase up to 1,840,000 shares of common stock at an exercise price of $0.07 per share at any time from December 1, 2015 to July 1, 2018. The Company has valued the warrants at $0.0058 per issued share, and recorded a total discount of $10,672 to be amortized over the extension period on a monthly basis. This is from January 2016 to July 2017, an 18 month period.

On March 31, 2016, the holders of $50,000 Series B Notes have agreed to extend the maturity date of the debt outstanding to September 1, 2017 from its original maturity date of March 31, 2016. As part of the extension the Company issued warrants to entitle the holders to purchase up to 50,000 shares of common stock at an exercise price of $0.07 per share at any time from March 31, 2016 to September 30, 2018. The Company has valued the warrants at $0.00278 per issued share, and recorded a total discount of $139 to be amortized over the extension period on a monthly basis. This is from April 2016 to September 2017, an 18 month period.

On March 31, 2016, the holder of $25,000 Series B Notes has agreed to extend the maturity date of the debt outstanding to September 1, 2019 from its original maturity date of March 31, 2016. As part of the extension the Company issued warrants to entitle the holders to purchase up to 25,000 shares of common stock at an exercise price of $0.07 per share at any time from March 31, 2016 to September 30, 2019. The Company has valued the warrants at $0.00583 per issued share, and recorded a total discount of $146 to be amortized over the extension period on a monthly basis. This is from April 2016 to September 2019, a 30 month period.

In accordance with ASC 480, *Distinguishing Liabilities from Equity*, the Company determined that the warrants are a freestanding instrument based on the following:

- The debt can be transferred without the transfer of the warrants.
- The warrants can be transferred without the transfer of the debt.
- The warrants can be exercised while debt still outstanding.

In accordance with ASC 470, if the warrants are classified as equity, then the proceeds should be allocated based on the relative fair values of the base instrument and the warrants following the guidance as in ASC 470.

For the three months ended March 31, 2016, $60,450 of accrued interest was recorded on the notes and $45,450 was paid.

The Details of Series B Notes are as follows:

	December 31, 2015 Balance	Unamortized Discount	March 31, 2016 Balance	Maturity Date
03-Dec-12	$ 25,000	$ (120)	$ 24,880	01-Jul-17
03-Dec-12	125,000	(602)	124,398	01-Jul-17
03-Dec-12	50,000	(241)	49,759	01-Jul-17
03-Dec-12	25,000	(120)	24,880	01-Jul-17
03-Dec-12	25,000	(120)	24,880	01-Jul-17
03-Dec-12	25,000	(120)	24,880	01-Jul-17
03-Dec-12	1,500,000	(7,225)	1,492,775	01-Jul-17
03-Dec-12	50,000	(241)	49,759	01-Jul-17
03-Dec-12	15,000	(72)	14,928	01-Jul-17
03-Dec-12	100,000	-	100,000	01-May-16
27-Mar-13	25,000	(70)	24,931	01-Sep-17
27-Mar-13	25,000	(70)	24,931	01-Sep-17
27-Mar-13	25,000	(146)	24,854	01-Sep-19
Total	$ 2,015,000	$ (9,148)	$ 2,005,852	

Following are maturities of the long –term debt in Series B Notes for each of the next 5 years:

	Principal Payments
2016	$ 100,000
2017	1,890,000
2018	-
2019	25,000
Total	$ 2,015,000

Series C:

On May 22, 2014, the Company sold, through private placement to accredited investors, three year 12% convertible notes ("Series C Notes") in the aggregate principal amount of $95,000.

The Notes bear interest at a rate of 12% per annum, payable to the holder at1% per month, with the principal amount due on May 31, 2017. The Notes are convertible into shares of the Company's common stock at an initial conversion rate of $0.15 per share. In addition, each holder of Series C Notes received shares dependent on the dollar amount of Notes purchased. On August 25, 2014, October 31, 2014 and February 17, 2015, the Company sold an additional $75,000, $50,000 and $20,000, respectively of Series C Notes.

The total number of shares of common stock issued was 240,000 shares.

In accordance with ASC 470 on issuance of the shares, the Company recognized additional paid-in capital and a discount against the notes for a total of $12,695. Amortization of the discount for the three months ended March 31, 2016 and 2015 was $1,277 and $1,219, respectively.

For the three months ended March 31, 2016, $7,200 in accrued interest was recorded on the notes and paid.

Issuance Date		Balance at December 31, 2015		Unamortized Discount		Balance at March 31, 2016	Balance at December 31, 2015
22-May-14	$	50,000	$	(1,167)	$	48,833	31-May-17
22-May-14		22,500		(525)		21,975	31-May-17
22-May-14		22,500		(882)		21,618	31-May-17
25-Aug-14		50,000		(664)		49,336	31-Oct-17
25-Aug-14		25,000		(1,385)		23,615	31-Oct-17
31-Oct-14		50,000		(1,273)		48,727	31-Oct-17
17-Feb-15		20,000		(525)		19,475	17-Feb-18
Total	$	240,000	$	(6,421)	$	233,579	

Following are maturities of the long –term debt in Series C Notes:

		Principal Payments
2016	$	-
2017		220,000
2018		20,000
Total	$	240,000

Individually issued Convertible Note:

On March 26, 2014, the Company issued a $300,000 convertible note to a non-affiliate. The note pays interest at a rate of 12% per annum, payable to the holder at 1% per month. In addition to interest payments the Company will be making monthly payments of $5,000 towards the principal balance beginning June 1, 2014 for three years until the note due date of February 27, 2017. The note is convertible into common shares of the Company at $0.15 per share. In addition, the Note holder will receive 300,000 shares as part of the note agreement.

For the three months ended March 31, 2016 and 2015, $5,834 and $7,545, respectively, of interest was recorded on the notes and paid.

In accordance with ASC 470 on issuance of the shares, the Company recognized additional paid-in capital and a discount against the notes for a total of $25,500. Amortization of the discount for the three months ended March 31, 2016 and 2015 was $2,125.

Summary of the note is as follows:

Issuance Date		December 31, 2015 Balance		Payments		Unamortized Discount		March 31, 2016 Balance	Maturity Date
26-Mar-14	$	200,000	$	(15,000)	$	(8,500)	$	176,500	27-Feb-17

Following are maturity of the individually issued convertible notes:

		Principal Payments
2016	$	45,000
2017		140,000
Total	$	185,000

Note 9. Royalty Financing

On October 31, 2014, the Company entered into a royalty purchase agreement with Grenville Strategic Royalty Corp. for the amount of $2,000,000. The agreement calls for a monthly payment to Grenville based on a percentage of the total of certain revenue items and subject to a minimum payment amount. As of December 31, 2015, the Company paid a total of $446,377 in royalty payments. The amount financed is recorded net of discount to be amortized during the term. For the three months ended March 31, 2016 and 2015, the Company has recorded discount amortization expense of $75,075 and $148,346, respectively. The balance as shown on the consolidated balance sheet as of March 31, 2016 was $1,909,245, net of $5,543,605 in unamortized discount.

Note 10. Major Customers

For the three months ended March 31, 2016 and 2015, revenue was derived primarily from medical imaging and radiology services.

There were no major customers representing more than 10% of total revenue for the three months ended March 31, 2016 and 2015.

There were no closing balances for accounts receivable greater than 10% of total balance the three months ended March 31, 2016 and 2015.

Note 11. Major Vendors

There were no major vendors for the three months ended March 31, 2016 and 2015.

Note 12. Related Party Transactions

During January 2015, the Company entered into an agreement with a company that is owned and controlled by a major shareholder, to provide consulting services. Fees payable for performance of the consulting services are $10,000 per month. In addition to the monthly fees, the consultant was paid at signing of the agreement, four million two hundred thousand (4,200,000) options to purchase common stock of the client at an exercise price of $0.15 per share with an expiry date of December 31, 2019; details of the options recognition is disclosed in Note 15. On December 28, 2015, 450,000 shares of common stock were issued as compensation of $20,250 owed and outstanding towards the 2015 consulting agreement. Fees paid to the related party consultant are included as an expense in Legal and Professional fees in the accompanying statement of operations for the period. At March 31, 2016, the Company had $5,830 balance owing for services rendered.

Note 13. Common Stock Transactions

On March 22, 2016 the company issued 70,000 shares of common stock of the Company as part of the bridge convertible note to a private investor. The shares were valued at $1,421 based upon the closing price of the Company's common stock at the grant date.

On February 18, 2016 issued the company 100,000 shares of common stock of the Company as part of the bridge convertible note to a private investor. The shares were valued at $7,000 based upon the closing price of the Company's common stock at the grant date.

For the year ended December 31, 2015, 1,425,000 shares were issued for services valued at $65,465 based upon the closing price of the Company's common stock at the grant date.

For the year ended December 31, 2015, 20,000 shares were issued as part of Series C convertible note agreements. The shares were valued at $1,040 based upon the closing price of the Company's common stock at the grant date.

On December 1, 2015, the Company issued 1,840,000 warrants to holders of Series B convertible notes (see Note 8) as part of the agreements to extend the maturity dates of the notes. The warrants are exercisable at a price of $0.07 per full share at any time from December 1, 2015 to July 1, 2018. The Company has valued the warrants at a $0.0058 per issued share.

On January 27, 2015, the Company granted options as considerations for services provided by the CEO of the Company. The options are to purchase up to 4,200,000 shares of common stock, with an exercise price equal to $0.15 per share. The options shall have a five (5) year term. Inputs used in Binomial Option Pricing model were as follow: stock price at grant date: $0.0517, exercise price $0.15, expected life of the option two and a half (2.5) years, volatility of 70%, and risk free rate of 0.03%. The options were recorded on the grant date at a value of $34,683.

On January 27, 2015, the Company granted options as considerations for consulting services provided to the Company. The options are to purchase up to 4,200,000 shares of common stock, with an exercise price equal to $0.15 per share. The options shall have a five (5) year term. Inputs used in Binomial Option Pricing model were as follow: stock price at grant date: $0.0517, exercise price $0.15, expected life of the option two and a half (2.5) years, volatility of 70%, and risk free rate of 0.03%. The options were recorded on the grant date at a value of $34,683.

On January 27, 2015, the Company granted options as considerations for services provided by the CFO of the Company. The options are to purchase up to 1,600,000 shares of common stock, with an exercise price equal to $0.15 per share. The options shall have a five (5) year term. Inputs used in Binomial Option Pricing model were as follow: stock price at grant date: $0.0517, exercise price $0.15, expected life of the option two and a half (2.5) years, volatility of 70%, and risk free rate of 0.03%. The options were recorded on the grant date at a value of $13,213.

Note 14. Income Tax

The Company follows ASC 740, *Income Taxes* ("ASC 740"), which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between consolidated financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

The provisions of ASC 740 require companies to recognize in their financial statements the impact of a tax position if that position is more likely than not to be sustained upon audit, based upon the technical merits of the position. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. ASC 740 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure.

Management does not believe that the Company has any material uncertain tax positions requiring recognition or measurement in accordance with the provisions of ASC 740. Accordingly, the adoption of these provisions of ASC 740 did not have a material effect on the Company's financial statements. The Company's policy is to record interest and penalties on uncertain tax positions, if any, as income tax expense.

Note. 15. Going Concern

As shown in the accompanying consolidated financial statements, the Company incurred net comprehensive loss of $250,508 for the three months ended March 31, 2016 as well as a working capital deficit of $1,261,087. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. Management plans to raise additional financing in order to continue its operations and fulfill its debt obligations in 2016, but there can be no assurances that the plan will be successful. These consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Note 16. Subsequent events

No subsequent events.

The Company evaluated subsequent events through the date the consolidated financial statements were issued.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Forward Looking Statements

This Form 10-Q quarterly report of Medical Imaging Corp. (the "Company") for the three months ended March 31, 2016, contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. To the extent that there are statements that are not recitations of historical fact, such statements constitute forward-looking statements that, by definition, involve risks and uncertainties. In any forward-looking statement, where the Company expresses an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will be achieved or accomplished.

The following are factors that could cause actual results or events to differ materially from those anticipated, and include, but are not limited to: variations in revenue; possible inability to attract investors for its equity securities or otherwise raise adequate funds from any source should the Company seek to do so; increased governmental regulation; increased competition; unfavorable outcomes to litigation involving the Company or to which the Company may become a party in the future; and a very competitive and rapidly changing operating environment.

Readers are cautioned not to place undue reliance on the forward-looking statements contained herein, which speak only as of the date hereof. The Company believes the information contained in this Form 10-Q to be accurate as of the date hereof. Changes may occur after that date, and the Company will not update that information except as required by law in the normal course of its public disclosure practices.

Additionally, the following discussion regarding the Company's financial condition and results of operations should be read in conjunction with the financial statements and related notes contained in Item 1 of Part 1 of this Form 10-Q, as well as the financial statements in Item 8 of Part II of the Company's Form 10-K for the fiscal year ended December 31, 2015.

Business description

Medical Imaging Corp. ("MIC") is a U.S.-based healthcare services company with a specific focus on medical diagnostic imaging. We currently own and operate five wholly-owned subsidiaries: CTS, SMI, PIV, PIN, and PIC. With operations in the U.S. and Canada, our Company is executing a growth strategy centered on acquiring and operating profitable medical diagnostic imaging facilities and imaging services businesses with a goal of profitably increasing revenues.

MIC's mission is to provide quality medical diagnostic imaging services to its patients across North America, delivering convenience, accuracy and the highest standards of care and service. Our Company's mandate is to make available, on a timely basis, valued-based on-site and remote medical imaging services for patients, hospitals, workers compensation boards and insurance companies.

CTS

- CTS provides remote reading and reporting of medical diagnostic imaging scans, otherwise known as Teleradiology, for rural hospitals and clinics in Canada. Our network of board certified radiologists are providing medical imaging interpretations for our clients, helping to speed diagnoses, while seeking to improve outcomes and enhance patient care.

- On a 24/7/365 basis, CTS receives diagnostic imaging scans from hospitals, clinics and referring physicians, and transmits them to qualified radiologists, who are typically located in large urban medical centers. The receiving radiologist reads and interprets the diagnostic images and associated clinical data and prepares medical reports on the findings, which are in turn transmitted to the client allowing the hospital or physician to continue with patient care.

- CTS specializes in reading Magnetic Resonance Imaging (MRI), Computed Tomography (CT), Positron Emission Tomography (PET), Ultrasound (US), Nuclear Medicine (NM), Digital Mammography (MAMMO), X-Ray and Bone Mineral Densitometry (BDM) modalities.

- CTS uses a leading brand Picture Archiving and Communications System (PACS) to ensure high resolution images can be delivered for interpretation in a quick, secure and highly dependable manner. CTS also works with our third-party IT Company to ensure the workstations used by our contracted radiologists and CTS servers are functioning properly.

- Guided by the Canada Health Act of 1984, healthcare in Canada is delivered through a publicly funded healthcare system, which is mostly free at the point of use and has most services provided by private entities. CTS' revenues are derived from service agreements we enter into with hospitals, clinics and other medical facilities where patients are treated. Fees for services provided by CTS are billed to the government by each CTS client, which, upon being paid by the government, remits payment to CTS in accordance with the contracted payment terms.

- CTS primary growth objectives are concentrated on optimizing our current contract portfolio and increasing our share of the Teleradiology market in the province of Ontario, expanding our geographic service region to include penetrating other Canadian provinces, and scaling our Canadian network of board certified radiologists to ensure effective support of our geographic expansion initiatives.

SMI

SMI operates a medical imaging facility serving patients in Schuylkill County, Pennsylvania. SMI has provided high quality medical diagnostic imaging services for more than 13 years in a caring, safe and convenient environment. Located in Pottsville, Pennsylvania and accredited by the American College of Radiology, SMI has the first and only Open MRI in Schuylkill County and has earned a strong reputation within the communities it serves through its board certified radiologists, highly trained technologists, medical equipment and advanced technology matched with high quality care and service.

Our facility currently houses two types of MRI systems – both of which provide anatomic detail and are particularly useful for diagnostic tests and procedures requiring high resolution. Our digital imaging equipment includes a Siemens Concerto Open MRI System, as well as a closed 1.5 T Siemens Symphony MRI System. The open MRI system is open on three sides, providing a panoramic 270° view – ideal for pediatric patients and those who may suffer from claustrophobia or are large bodied. SMI is capable of facilitating MRI procedures that include cranial, spinal, abdominal, pelvic, musculoskeletal and head/neck scans.

SMI's business is highly reliant upon referrals from area physicians and group practices and does not maintain dedicated or contractual relationships with hospitals or clinics. In fact, hospitals and clinics may compete with SMI to provide services to patients. We believe that our community presence assists referring physicians with further enhancing their practices by providing well-coordinated and responsive care to their patients who require diagnostic imaging services. Therefore we maintain an active outreach program, with the goal of seeing that the SMI brand and quality service offerings are well represented and communicated to practicing physicians in the region and to local healthcare consumers who exercise their own personal discretion in determining at what local medical imaging facility they choose to have their imaging procedures performed.

Florida Operations (PIV, PIN, PIC)

MIC owns three diagnostic centers in the State of Florida, operating under the names of Partners Imaging Center of Venice, LLC, Partners Imaging Center of Charlotte, LLC, and Partners Imaging Center of Naples, LLC. These centers have been operating under the Partners name for more than five years and have been in their respective locations from 8 to 15 years. The centers rely on referring physicians and marketing efforts to drive business. The centers offer a 1.5T MRI and 16 slice CT in Naples, a 1.5T MRI in Charlotte, and 3T MRI, 16 slice CT, ultrasound and X-ray at the Venice location. Reports are provided to the patients' physician within 24 hours and as quick as 60 minute for emergency exams.

Canadian Government Regulation

Our CTS subsidiary is subject to extensive regulation by the Canadian federal government, as well as the governments of the provinces and territories in which we conduct our business. A diagnostic imaging clinic or hospital must be licensed by the Ministry of Health and sanctioned by the College of Physicians and Surgeons in the province in which it is located.

In addition to extensive existing Canadian government healthcare regulation, there could be at the federal and provincial levels reforms affecting the payment for and availability of diagnostic healthcare services. Limitations on reimbursement amounts and other cost containment pressures could result in a decrease in the revenue we expect to receive for each scan we perform. It is not clear at this time what proposals, if any, will be adopted or, if adopted, what affect these proposals would have on our business.

U.S. Government Regulation

Our U.S. subsidiaries are subject to extensive regulation under federal, State, and local laws. This includes, but is not limited to complying with HIPPA, accreditation standards, Medicare/Medicaid and private insurance standards. Generally our MRI facilities must be licensed by the state, unless we can qualify for an applicable exemption. In addition, we believe that our business will continue to be subject to increasing regulation, the scope and effect of which we cannot predict.

Competition

We compete with numerous private diagnostic imaging clinics and both private and public hospitals. We also compete for the hiring of qualified medical experts and MRI, CT and x-ray technicians to perform and evaluate the diagnostic imaging scans. Most of our current competitors have, and our future competitors are expected to have, greater resources than us. Therefore, our ability to compete largely depends on our financial resources and capacity.

Customers

Between direct hospital contracts and satellite hospitals that feed into the main hospital, we have a client roster of 15 hospitals that utilize CTS. The loss of any of these clients would have a negative impact on the Company.

The diagnostic imaging centers rely on a referral base of specialized and family practitioners in each respective community. The average center may have over 100 local physicians that refer patients to us for medical imaging services. In addition, each center uses marketing efforts and community involvement to reach out and educate patients that they have a choice as to where to have a scan.

For our Florida centers, we have a sizeable amount of self-pay patients in the winter time from foreign visitors.

Employees

MIC currently has one full time executive (Chief Executive Officer), one part time executive (Chief Financial Officer) and approximately 40 employees who include accounting staff, administrators, as well as technical employees and imaging center location managers. In addition, the Company employs as many as 40 sub-contractors who are physicians, radiologists, accountants, business development consultants, clerical staff and IT professionals.

Operations

CTS

During the first quarter of 2016 time was spent on servicing existing hospitals, expanding some of our services to include a medical manager for hospitals in rural communities and looking for new growth opportunities.

SMI

During the first quarter of 2016 we saw continued increase revenue and patient scan volume. The center posted its strongest Q1 volume since we acquired the center. Special attention has been given to marketing efforts, patient satisfaction and ensuring we meet the needs of our referring physicians. Moving forward emphasis will be put on growing the CT business.

PIV, PIN, PIC, (Florida)

During the first quarter of 2016 Florida operations continued to come online as we finished the transition of the insurance providers to our system. Winter is the busy season and was reflected in our volumes. Marketing efforts to continue to grow the centers are ongoing both towards current referrers and sourcing out potential new offices.

Overall Operating Results:

For the three months ended March 31, 2016, revenues from medical scans services were $1,382,125 compared to $1,300,442 for the three months ended March 31, 2015, an increase of 6 % or $81,683. The increase in revenue was owing to an increase in scan volume for SMI.

For the three months ended March 31, 2016 revenues from teleradiology services was $540,360 compared to $520,075 for the three months ended March 31, 2015, an increase of 4 % or $20,285. The increase in revenue from teleradiology services of 4% is related to revenues carried in Canadian dollar. The exchange rate used to convert CTS revenues carried in Canadian dollars for the three months ended March 31, 2015 was 0.8058, while the exchange rate used to convert CTS revenue carried in Canadian dollars for the three months ended March 31, 2016 was 0.7235, a difference of 11%. Therefore, the actual increase is 15% and it owes to increase in reading volume across CTS hospital clients.

For the three months ended March 31, 2016, cost of sales incurred relating to teleradiology services was $445,360 as compared to $428,963 for the three months ended March 31, 2015, an increase of 4% or $16,397. As a result of the increase in revenues, we incurred additional cost of sales. As a percentage of revenues, our costs of sales incurred relating to radiology services remained constant at 82%.

For the three months ended March 31, 2016 cost of sales from medical scans services was $509,820 compared to $522,503 for the three months ended March 31, 2015; a decrease of $12,683 or 2%. The decrease in costs of sales owes to reduce reading costs and reduced billing service fee as a result of almost all billings being processed in house and contracting with different radiologists group at better reading fees rates.

Operating expenses for the three months ended March 31, 2016 and March 31, 2015, totalled $959,483 and $993,179, respectively, a decrease of $33,696 or 3%, due to the following:

During the three months ended March 31, 2016, we incurred $318,002 in labor expense, as compared to $331,771 for the three months ended March 31, 2015. The decrease in labor expense is due to employee compensation pertaining to 4,200,000 stock options issued in January 2015 on employment contract signing, and streamlining CTS management operations in January 2016, therefore, reducing labor expense.

During the three months ended March 31, 2016, we incurred $217,090 in general and administrative expense, as compared to $188,802 for the three months ended March 31, 2015. The increase in general and administrative expense is due to non-recurring equipment repairs for the three months ended March 31, 2016.

During the three months ended March 31, 2016, we incurred $138,027 in rent expense, as compared to $132,693 for the three months ended March 31, 2015. The increase in rent expense is mainly due to additional operating lease commitment for SMI X-ray equipment use and space that started in January 2016.

During the three months ended March 31, 2016, we incurred $137,582 in depreciation expense, as compared to $135,724 for the three months ended March 31, 2015. The increase in depreciation expense is due to additional equipment purchased in the three months ended March 31, 2016.

During the three months ended March 31, 2016, we incurred $106,877 in legal and professional expense, as compared to $142,895 for the three months ended March 31, 2015. The decrease in legal and professional expense is owing to consulting expense pertaining to 4,200,000 stock options issued in January 2015 on contract agreement signing, and reducing dealings for billing service contract agreement that required legal consult.

During the three months ended March 31, 2016, we incurred $21,592 in insurance expense, as compared to $24,950 for the three months ended March 31, 2015. The decrease in insurance expense is due to negotiating better premiums on renewal.

During the three months ended March 31, 2016, we incurred $5,100 in management fees expense, as compared to $18,313 for the three months ended March 31, 2015. The decrease in management fees expense is owing to management fees expense pertaining to 1,600,000 stock options issued in January 2015 as management bonus.

During the three months ended March 31, 2016, we incurred $6,351 in advertising expense, as compared to $9,513 for the three months ended March 31, 2015. The decrease in advertising expense is due to non-recurring costs associated with marketing materials purchased in the three months ended March 31, 2015 as a result of marketing efforts of FL operations.

Liquidity and Capital Resources:

The Company used a combination of capital financing and revenues from operations to fund its acquisitions and working capital. The Company from time to time has sold shares of common stock and warrants and issued convertible notes. In 2015 it raised $1,327,679 from the issuance of promissory notes and $20,000 from the issuance of a convertible note.

The Company's operations have produced $1,922,485 of revenues for the three months ended March 31, 2016, which have been used to fund its operating expenses and to reduce its liabilities.

Based on the debt payment obligations of the Company that are due within the next 12 months, there is doubt about its ability to continue as a going concern, and the Company's continued operations therefore are dependent upon either increasing revenues or adequate additional financing being raised, or both, to enable it to continue its operations as currently conducted. As a result of this and other factors, the report of our independent auditors, dated April 13, 2016, on our consolidated financial statements for the period ended December 31, 2015 included an emphasis of matter paragraph indicating that there is a substantial doubt about the Company's ability to continue as a going concern. Alternatively, the Company could adjust some of its operational requirements or modify some of its debt obligations; however, these changes may not necessarily provide sufficient funds to continue as a going concern In the event that the Company is unable to continue as a going concern, it may be forced to realize upon its assets or even elect or be required to seek protection from its creditors as provided by law or be subject to claims by creditors or a general creditor action. To date, management has not considered these alternatives as a likely outcome, since it has continuing revenues from operations and is considering capital raising actions.

As of March 31, 2016, our assets totalled $5,628,440 which consisted of cash balances, accounts receivable, prepaid expenses, deposits, goodwill and property and equipment. As of March 31, 2016, our total liabilities consisted of accounts payable and accrued liabilities of $1,929,686, obligations under capital lease of $447,861, promissory notes of $747,298, Royalty financing of $1,909,245 (net of discount), and non-related party convertible notes of $2,415,439 (net of discount). As of March 31, 2016, we had an accumulated deficit of $4,071,078 and a working capital deficit of $1,261,087.

As of March 31, 2016, the Company had promissory notes due to non–related parties for a total amount of $747,298.

On February 23, 2016, the Company sold a bridge convertible promissory note for $100,000 to a private investor. The Note pays interest monthly at an annual rate of 12%. As an inducement to purchase the Note, the investor was also given 100,000 shares of common stock of the Company. The note is due on February 23, 2017, but may be converted into a future financing of notes sold by the Company. The balance of the note at March 31, 2016 is $98,583, net of $6,417 in unamortized discount.

On February 25, 2016, the Company sold to Grenville Strategic Royalty Corp. (“Holder”) a convertible note for the principal amount of $500,000. The Note pays interest monthly at an annual rate of 25%. From July 30, 2016 through to August 31, 2017, the Holder may elect to convert the Note into a temporary royalty and receive a monthly payment equal to a specified percentage of the Company’s revenue for the previous month, subject to certain minimum payments, in lieu of interest payments. However, in such case the Company may still buy back the temporary royalty for the original face value of the Note. If the Note is outstanding as of August 31, 2017, then the Note may be converted into a permanent royalty based on the revenues of the Company (the “Royalty”) at the Holder's election, subject to certain minimum payments. The Holder will maintain a security interest in the Company until such time as the Note is retired, the Company raises $1,200,000 in additional capital, or the Note is converted into the Royalty. The balance of the note at March 31, 2016 is $500,000.

On March 2, 2016, promissory notes with balance owing of $58,581 as of December 31, 2015, were paid off in full.

On March 22, 2016, the Company sold additional $70,000 in a bridge convertible promissory note to a private investor. The Note pays interest monthly at an annual rate of 12%. As an inducement to purchase the Note, the investor was also given 70,000 shares of common stock of the Company. The Note is due on March 22, 2017, but may be converted into a future financing of notes sold by the Company. The Balance of the note at March 31, 2016 is $68,697, net of $1,303 in unamortized discount.

As of March 31, 2016, the Company had convertible notes due to non–related parties for a total amount of $2,415,439.

On December 5, 2012 and March 27, 2013, the Company sold, through a private placement to accredited investors, three year 12% convertible notes (“Series B Notes”) in the aggregate principal amount of $1,865,000, and $365,000, respectively. The Series B Notes pay interest at a rate of 12% per annum, payable to the holder at 1% per month, and convertible into common shares of the Company at $0.15 per share. $1,840,000 of the notes mature July 1, 2017, $50,000 mature September 1, 2017, $25,000 mature September 1, 2019, and $100,000 of the notes mature on May 31, 2016. In addition, each purchaser of the Series B Notes received shares dependent on the dollar amount of Series B Notes purchased. The total number of shares of common stock issued was 5,315,000 shares. A detailed schedule of the Series B Notes is presented in Note 8 to the consolidated financial statements. $1,840,000 of Series B Notes original maturity was extended to their current maturity of July 1, 2017 in consideration of warrants to purchase shares in equal number of one share for every $1 of note at an exercise price of $0.07 per share, which warrants will be exercisable from November 16, 2015 to and including July 1, 2018. $50,000 of series B Notes original maturity was extended to their current maturity of September 1, 2017 in consideration of warrants to purchase shares in equal number of one share for every $1 of note at an exercise price of $0.07 per share, which warrants will be exercisable from March 25, 2016 to September 1, 2018. $25,000 of series B Notes original maturity was extended to their current maturity of September 1, 2019 in consideration of warrants to purchase shares in equal number of one share for every $1 of note at an exercise price of $0.07 per share, which warrants will be exercisable from March 25, 2016 to September 1, 2019.

On March 26, 2014, the Company issued a $300,000 convertible note to a non-affiliate. The note pays interest at a rate of 12% per annum, payable to the holder at 1% per month. In addition to interest payments, the Company is making monthly payments of $5,000 towards the principal balance beginning June 1, 2014 for three years until the note due date of February 27, 2017. The note is convertible into common shares of the Company at $0.15 per share. In addition, the purchaser of the note received 300,000 shares as part of the note agreement. A detailed schedule of this note is presented in Note 8 to the consolidated financial statements. As of March 31, 2016 principal balance of the note was $185,000.

On May 22, 2014, the Company issued, through a private placement to accredited investors, three year 12% convertible notes ("Series C Notes") in the aggregate principal amount of $95,000. The Series C Notes bear interest at a rate of 12% per annum, payable to the holder at1% per month, with the principal amount due on May 31, 2017. The Series C Notes are convertible into shares of the Company's common stock at an initial conversion rate of $0.15 per share. In addition, each holder of Series C Notes received shares dependent on the dollar amount of Notes purchased. The total number of shares of common stock issued was 95,000 shares. A detailed schedule of the Series C Notes is presented in Note 8 to the consolidated financial statements. On October 31, 2014, the Company sold, through a private placement to accredited investor, an additional Series C Note in the principal amount of $50,000, and has issued 50,000 shares of common stock of the company accordingly.

In May 2014, the Company received proceeds of $50,000 through a private placement from an accredited investor, and in June 2014 the Company assigned $25,000 of the SMI acquisition liability that was due as part of SMI acquisition to loans payable. The funds were held in escrow by the Company until the offer and sale was registered with the appropriate state securities regulator and the Series C convertible note was issued to the investors. On August 25, 2014 $75,000 Series C Notes were issued to the investors and 75,000 shares of common stock of the Company were also issued.

On February 17, 2015, the Company issued, through a private placement to an accredited investor, an additional Series C Note in the principal amount of $20,000, and has issued 20,000 shares of common stock of the Company accordingly.

A royalty financing arrangement was entered into on October 31, 2014 with Grenville Strategic Royalty Corp. The royalty was purchased for $2,000,000 in return for a series of payments based on a percentage of certain revenue items of the Company. The Company and the royalty holder may agree to a subsequent increase in the amount of the royalty purchase by up to an additional $1,000,000. The royalties are payable on a monthly basis, subject to an agreed upon minimum amount. The royalty holder may advance additional sums in which case the royalty payment percentage and minimum amounts will be adjusted. The royalty payments will extend for a period of up to 10 years, which may be shortened if, depending on the amount of the royalty purchase, the Company has paid an agreed upon aggregate royalty amount. The Company has certain rights to buy out the royalty payments, including in the event of a change of control of the Company, which are calculated based on a variable formula at a multiple of the purchase amount and other factors.

The Company intends to explore capital raising options in the near term which may include the issuance of additional debt and the sale of equity or equity based securities. The Company has no agreements or arrangements for additional capital at this time. There can be no assurance that it will be able to raise additional capital, or if funds are offered, that they will on terms acceptable to the Company. A substantial amount of the assets of the Company, held through its subsidiaries, are pledged to secure certain debt; therefore, the ability of the Company to issue secured debt may be limited or require waivers or modifications to the current outstanding debt, which the current lenders do not have to provide.

Off Balance Sheet Arrangements

None.

New Accounting Pronouncements

There were various updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on the Company's condensed consolidated financial position, results of operations or cash flows.

Item 3 – Quantitative and Qualitative Analysis of Market Risks

There are no material changes in the market risks faced by us from those reported in our Annual Report on Form 10-K for the year ended December 31, 2015.

Item 4T. – Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Company's reports filed under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report, management carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

Limitations on Effectiveness of Controls and Procedures

Our management, which includes our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Controls over Financial Reporting

In connection with the evaluation of our internal controls, our principal executive officer and principal financial officer have determined that during the period covered by this quarterly report, there have been no changes to our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II

ITEM 1. Legal Proceedings

On December 27, 2011, *Geoffrey Blackner v. Schuylkill Open MRI, et al* litigation, docketed in the Schuylkill County Court of Common Pleas, No. S15802011 was commenced against SMI by Mr. and Mrs. Blackner ("Plaintiffs"). The Plaintiffs allege that a radiologist at Schuylkill Medical Center was negligent in not finding the T1-2 disc herniation when interpreting a CT scan of Mr. Blackner's head and neck. They further allege that a second doctor was negligent in not finding the T1-2 disc herniation when interpreting an MRI of Mr. Blackner's cervical spine. Plaintiffs allege that SMI is vicariously liable for this negligence, because the second doctor was an independent contractor of SMI. Plaintiffs' argue that the delay in discovering the T1-2 disc herniation, and thus the delay in surgery for that disc herniation, resulted in the damages to Mr. Blackner, specifically to his right hand. Mrs. Blackner has a loss of consortium claim. SMI has passed this case to its insurer and has received a full indemnity from the seller of SMI to MIC for this claim. The Company has fully paid its insurance deductible and does not anticipate any further monetary damages from this claim.

ITEM 1A. Risk Factors

Not Applicable

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The Company issued 70,000 shares in March 2016 at a per share price of $0.0203 to purchasers of $70,000 of a promissory note issued in March of 2016.

The Company issued 100,000 shares in February 2016 at a per share price of $0.07 to purchasers of $10,000 of a promissory note issued in February of 2016.

These securities were issued in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act and Regulation D thereunder.

ITEM 3. Defaults Upon Senior Securities

None

ITEM 4. Mine Safety Disclosures

None

ITEM 5. Other Information

None

ITEM 6. Exhibits

(a) Exhibits.

Exhibit No.	Description
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 United States Code Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002*

* Filed herewith.

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MEDICAL IMAGING CORP.

By: /s/ Mitchell Geisler
Mitchell Geisler
Chief Executive Officer

Date: May 16, 2016

MEDICAL IMAGING CORP.

By: /s/ Richard Jagodnik
Richard Jagodnik
Chief Financial Officer (Principal Financial Officer)

Date: May 16, 2016