

**QUARTERLY REPORT FOR THE PERIOD ENDING SEPTEMBER 30, 2009  
FOR METISCAN, INC.**

**ITEM 1: Exact Name and Address**

Metiscan, Inc. (PINK SHEETS: MTIZ.PK)  
12225 Greenville Ave  
Suite 700  
Dallas, TX 75243  
Phone: 214-368-9966  
Fax: 214-368-9977  
<http://www.metiscan.com>

**ITEM 2: Shares Outstanding**

COMMON STOCK (Par value of \$0.0001 per share)

(i) September 30, 2009	
(ii) Number of Shares Authorized	5,000,000,000
(iii) Number of Shares Outstanding	2,031,542,237
(iv) Freely Tradable Shares	283,024,514
(v) Total Number of Shareholders	191

PREFERRED STOCK (Par value of \$0.0001 per share)

(i) September 30, 2009	
(ii) Number of Shares Authorized	10,000,000
(iii) Number of Shares Outstanding	1,250,120
(iv) Freely Tradable Shares	None
(v) Total Number of Shareholders	7

**TRANSFER AGENT**

Interwest Transfer Co., Inc.  
1981 East Murray Holladay Road  
Suite 100  
Salt Lake City, UT 84117  
Phone: (801) 272-9294  
Fax: (801) 277-3147

**ITEM 3: Interim Financial Statements**

The interim financial statements for the quarter ending September 30, 2009, are attached at the end of this quarterly update. They include the condensed consolidated Balance Sheet, the condensed consolidated Statements of Operations, the condensed consolidated statements of Stockholders' Deficit, the consolidated statement of Cash Flows and the footnotes to Unaudited Financial Statements.

## **ITEM 4: Managements Discussion and Analysis or Plan of Operation**

### **METISCAN, INC. & SUBSIDIARIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF SEPTEMBER 30, 2009**

#### **Caution About Forward-Looking Statements**

This section should be read together with our financial statements and related notes thereto included elsewhere in the materials posted on Pink Sheet's website. In addition to the historical information contained herein, this report contains forward-looking statements that are subject to risks and uncertainties. Forward-looking statements are not based on historical information but relate to future operations, strategies, financial results or other developments. Forward-looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. Certain statements contained in this report, including, without limitation, statements containing the words "believe," "anticipate," "estimate," "expect," "are of the opinion that" and words of similar import, constitute "forward-looking statements." You should not place any undue reliance on these forward-looking statements.

You should be aware that our results from operations could materially be affected by a number of factors, which include, but are not limited to the following: economic and business conditions specific to the healthcare industry; competition from other companies offering similar services, our ability to control costs and expenses, access to capital, and our ability to meet contractual obligations. There may be other factors not mentioned above or included elsewhere in the materials posted on Pink Sheet's website that may cause actual results to differ materially from any forward-looking information.

#### **Critical Accounting Policies**

The discussion and analysis of our financial conditions and results of operations are based upon our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of financial statements requires managers to make estimates. We use authoritative pronouncements, historical experience and other assumptions as the basis for making judgments. Actual results could differ from those estimates.

#### **Plan of Operation**

On August 8, 2008, Metiscan, Inc. (Metiscan, the Company, our or we) completed the acquisition of Metiscan Technologies, Inc. (Technologies) and at the same time, elected a new slate of directors and appointed new corporate officers.

On November 13, 2008, we formed a wholly owned subsidiary Metiscan Managed Services, Inc., (Services) under section 102 of the General Corporation Law of the State of Delaware.

On November 13, 2008, we formed a wholly owned subsidiary Shoreline MRI, Inc., (Shoreline) under section 102 of the General Corporation Law of the State of Delaware.

On November 13, 2008, we formed a wholly owned subsidiary Schuylkill MRI, Inc., (Schuylkill) under section 102 of the General Corporation Law of the State of Delaware.

On December 1, 2008, FirstView f/k/a Metiscan Managed Services, Inc. completed an asset purchase agreement with Technologies, whereby FirstView purchased certain properties and assets for a total purchase price of one hundred fifty thousand six hundred US dollars (\$150,600) and payable (a) thirty three thousand one hundred and seventy six US dollars (\$33,176), in twelve (12) equal installments of two thousand seven hundred and sixty-four dollars and sixty-six cents (\$2,764.66) with the first payment being due on, or prior to, March 1, 2009 by either check or bank draft, and (b) the assumption of approximately one hundred seventeen thousand four hundred and twenty four US dollars (\$117,424) in total liabilities which FirstView agreed to continue making the required debt service payments until the total liabilities are paid in full. Concurrently, Technologies settled its past due payables owed to FirstView in exchange for the twelve (12) equal installments owed by FirstView to Technologies.

Technologies sold certain properties and assets to FirstView because Technologies did not have the technical expertise and management to continue servicing its technology systems for its clients. Furthermore, from September until the date of sale, Technologies had incurred obligations to FirstView to maintain and manage its systems and was unable to satisfy these obligations. FirstView is focused on the further development and marketing of FirstView web-based radiology information system that interfaces RIS, Teleradiology and PACS for its clients.

On December 31, 2008, we completed the acquisition of two diagnostic imaging facilities, Schuylkill Open MRI, Inc. (SOMRI) located in Pottsville, Pennsylvania and Metiscan-CC, Inc. (Corpus), located in Corpus Christi, Texas.

On January 1, 2009 Shoreline became an operating subsidiary. Shoreline provides part-time, full time, and contract employees for Metiscan and Metiscan's subsidiaries on an as-needed basis.

On February 20, 2009, Corpus ceased operations and commenced evaluating business opportunities. Corpus was a freestanding diagnostic imaging center providing MRI services in Corpus Christi, Texas.

On February 27, 2009, a plan of merger entered into between Technologies and Corpus, whereas Corpus was the surviving corporation. The plan of merger qualified as a tax-free reorganization pursuant to the Internal Revenue Code of 1986. Management has been investigating various business opportunities.

On June 1, 2009, Schuylkill MRI, Inc. changed its name to Taptopia, Inc. (Taptopia).

On June 22, 2009, Shoreline MRI, Inc. changed its name to Shoreline Employment Services, Inc (Shoreline).

On June 22, 2009, Metiscan Managed Services, Inc. changed its name to FirstView EHR, Inc. (FirstView).

On June 24<sup>th</sup>, 2009 Metiscan announced that it had determined to reposition itself as a holding company focused on growing its organization by making key acquisitions and developing companies and emerging technologies.

On October 16, 2009, Corpus filed a petition for relief under Chapter 7 of the Bankruptcy Code. As such, the Company has written off its assets and liabilities and presented the operating results from Corpus as discontinued operations.

On October 20, 2009, the Company filed a Demand for Arbitration (the “Demand”) with the American Arbitration Association in New York, NY against Garth James, the former owner of Corpus, Technologies, and the former majority shareholder of SOMRI. Together with the Demand, a Statement of Claim was filed whereby the Company is seeking to recover damages from Mr. James based upon a Breach of Contract. Fraud in the Inducement, Material Misrepresentations and Unjust Enrichment with respect to an Acquisition Agreement and the breach of an Employment Agreement. As of the date of this Quarterly Report, the Company is awaiting Mr. James response to the Statement of Claim. A response is due on or before November 23, 2009.

On October 29, 2009, SOMRI filed an Original Petition and Request for Disclosures with the District Court in Dallas County, Texas against MRI Central – Little Rock, Inc. (“Little Rock”) and MRI Central – Lubbock, Inc. (“Lubbock”) whereby seeking to recover monies loaned to both Little Rock and Lubbock through various promissory notes as early as February 2006. The principal amount owed to SOMRI is \$356,900. As of the date of this Quarterly Report, SOMRI is awaiting responses from both Little Rock and Lubbock and anticipates these responses to occur within fifty (50) days from the date of the petition filing.

The historical financial information presented in this report is that of Metiscan, FirstView, SOMRI, Shoreline and Taptopia. The historical financial information has been restated to reflect the discontinued operations of Corpus.

As of September 30, 2009, Metiscan operated the following subsidiaries:

- **FirstView EHR, Inc. (FirstView)** – FirstView is a wholly owned subsidiary, that provides end-to-end IT services for diagnostic imaging facilities including web based electronic healthcare records (EHR), workflow efficiency, PACS administration, long-term archiving, professional IT services and strategic consulting.

Since 2001 and through its predecessor, FirstView has been providing Software-as-a-Service (SaaS) to its imaging center clients utilizing an Application Service Provider (ASP) model. FirstView helps its clients manage, distribute, interpret and archive digital images more efficiently and cost effectively. FirstView’s keystone product is a web-based radiology information system that interfaces Radiology Information System (RIS), Teleradiology and PACS (Picture Archiving and Communication System) for its clients. FirstView also provides information management and IT operations support for diagnostic imaging facilities through complete revenue cycle management, EHRs,

The accompanying notes are an integral part of the financial statements

medical transcription services and functional training as needed. FirstView supports HL7 and DICOM standards. FirstView was formerly known as Metiscan Managed Services, Inc.

- **Schuylkill Open MRI, Inc. (SOMRI)** – SOMRI is a majority owned subsidiary that is an independent diagnostic testing facility (IDTF) providing Magnetic Resonance Imaging (MRI) services. SOMRI officially opened for business and began its operations in March of 2003 as a freestanding outpatient open MRI facility located in Pottsville, PA. SOMRI currently performs exams on the Siemens Concerto OPEN MRI System with the new Syngo software, giving patients the comfort of an open MRI system combined with high-field MRI speed and quality. In 2008 Schuylkill also added the Siemens Magnetom Vision 1.5T high field closed magnet to its facility. Having both magnets gives SOMRI flexibility in the studies it can conduct. SOMRI uses Services' Teleradiology and Radiology Information Systems (RIS) guaranteeing professional and timely transcribed results. Same day, evening and Saturday appointments are also available to accommodate any patient's schedule or needs.

SOMRI participates in most major insurance plans and honors in-network benefits for patients in non-participating plans. SOMRI also accepts Medicare, Medicaid, Worker's Compensation claims, Personal Injury (PIP) and Letters of Protection (LOPs) for participating personal injury attorneys in the area. SOMRI is accredited by the American College of Radiology (ACR).

- **Shoreline Employment Services, Inc. (Shoreline)** – Shoreline is an employment services company that provides management and administrative assistance in the form of part-time, full time, and contract employees, and provides other human resource related services such as employee benefits and retirement plan (401k) options to Metiscan and Metiscan's subsidiaries on an as-needed basis.
- **Taptopia, Inc. (Taptopia)** – Taptopia is a wholly owned subsidiary that provides design and development services for Smartphone platforms. Taptopia is focused on designing and developing innovative consumer and enterprise Smartphone software solutions for today's most popular Smartphone platforms.

During the remainder of fiscal 2009, Management plans to take the following steps in order to grow Metiscan;

- Continue to reduce operating expenses by eliminating inefficiencies in our operations;
- Renegotiate and refinance liabilities with equipment debtors in order to improve working capital with the intent of reinvesting the free cash-flow in marketing our products and services;
- Raise additional working capital through the sale of the Company's common stock and convertible debt; and
- Develop and acquire new technologies that add value to the overall entity.

## **Results of Operation**

### ***Operating Results for the three months ended September 30, 2009 compared to September 30, 2008***

During the three months ended September 30, 2009 our revenues were \$566,498 as compared to \$155,264 during the three months ended September 30, 2008. This increase of \$411,234, or 265%, is primarily the result our acquisition of Schuylkill Open MRI, Inc. and the revenues that wholly owned subsidiary FirstView produces. On September 1<sup>st</sup>, 2009 FirstView received from one its largest customers a written 90-day notice of termination of their Master Services Agreement. This customer represents about 35% of FirstView's overall revenues.

Our cost of revenues during the three months ended September 30, 2009 were \$149,278 as compared to \$41,636 during the three months ended September 30, 2008. Cost of revenues as a percentage of revenues were 26% during the three months ended September 30, 2009 as compared to 27% during the three months ended September 30, 2008. This increase of \$107,642 or 1% is a direct result of the increased revenues with our change in operational focus. Although there can be no assurance, we anticipate cost of revenues to remain within the range of 10% to 25% of revenues in the foreseeable future.

Our selling, general and administrative expenses during the three months ended September 30, 2009 were \$642,526 as compared to \$242,071 during the three months ended September 30, 2008. The increase of \$400,455 or 165%, was the direct result of our acquisition of two wholly owned subsidiaries and their related operational expenses. While there can be no assurance of a specific trend, we are continually working to minimize our selling, general and administrative expenses that will allow our revenues to sufficiently cover these expenses.

We experienced a net loss from continuing operations of \$225,306 during the three months ended September 30, 2009 as compared to a net loss from continuing operations of \$128,443 during the three months ended September 30, 2008. We expect operating losses to continue until we are able to develop and increase customer base and stabilize our general and administrative expenses.

Our interest expense during the three months ended September 30, 2009 was \$44,668 as compared to \$76,041 during the three months ended September 30, 2008. Interest expense remained fairly constant as we reduced higher interest loans with the increase of lower interest loans from our former President and current shareholder. As of September 30, 2009, the interest rates on our notes payable ranged from 8% to 15.91%.

Loss from discontinued operations is the result of Corpus' bankruptcy filing and the corresponding write off of the assets, liabilities and operations associated with Corpus.

## ***Operating Results for the nine months ended September 30, 2009 compared to September 30, 2008***

During the nine months ended September 30, 2009 our revenues were \$1,718,148 as compared to \$576,397 during the nine months ended September 30, 2008. This increase of \$1,141,751, or 198%, is primarily the result our acquisition of Schuylkill Open MRI, Inc. and the revenues that wholly owned subsidiary FirstView produces. On September 1<sup>st</sup>, 2009 FirstView received from one its largest customers a 90 day notice of termination of their master services agreement. This customer represents about 35% of FirstView's overall revenues.

Our cost of revenues during the nine months ended September 30, 2009 was \$414,354 as compared to \$84,034 during the nine months ended September 30, 2008. Cost of revenues as a percentage of revenues were 24% during the nine months ended September 30, 2009 as compared to 15% during the nine months ended September 30, 2008. This increase of \$330,320 or 9% is a direct result of the increased revenues with our change in operational focus. Although there can be no assurance, we anticipate cost of revenues to remain within the range of 10% to 25% of revenues in the foreseeable future.

Our selling, general and administrative expenses during the nine months ended September 30, 2009 were \$1,366,468 as compared to \$758,495 during the nine months ended September 30, 2008. The increase of \$607,973, or 80%, was the direct result of our acquisition of two wholly owned subsidiaries and their related operational expenses. While we cannot guarantee a specific trend, we are continually working to minimize our selling, general and administrative expenses that will allow our revenues to sufficiently cover these expenses.

We experienced a net loss from continuing operations of \$62,674 during the nine months ended September 30, 2009 as compared to a net loss from operations of \$266,132 during the nine months ended September 30, 2008. We expect operating losses to continue until we are able to develop and increase customer base and stabilize our general and administrative expenses.

During the nine months ended September 30, 2009 we experienced a net loss on the settlement of debt in the amount of \$943,131. This net loss is the result of \$263,146 forgiveness of debt from a shareholder along with a minor note payable settlement that resulted in a gain of \$35,449 and various trade payable settlements that resulted in gains of \$16,364. These gains were partially with a loss on the settlement of debt in the amount of \$587,759 when we issued 72,250,000 shares of our common stock with a market value of \$697,000 in payment of \$109,241 of debt along with an agreement to forgive \$407,185 amounts due to the Company from affiliates.

Our interest expense during the nine months ended September 30, 2009 was \$82,864 as compared to \$300,748 during the nine months ended September 30, 2008. Interest expense remained fairly constant as we reduced higher interest loans with the increase of lower interest loans from our former President and current shareholder. As of September 30, 2009, the interest rates on our notes payable ranged from 8% to 15.91%.

Loss from discontinued operations is the result of Corpus' bankruptcy filing and the corresponding write off of the assets, liabilities and operations associated with Corpus.

## Liquidity and Capital Resources

We have incurred operating losses for the nine months ended September 30, 2009 and 2008. As of September 30, 2009, we had an accumulated deficit of \$1,711,736. As of September 30, 2009 we had available cash of \$65,700 and a working capital deficit of \$4,297,306.

We expect our revenues to increase during the foreseeable future as a result of increasing the number of customers we service. Revenues from our services are expected to increase in proportion to the number of customers serviced by us. Currently cash flows from operations are not sufficient to meet our cash requirements. Consequently, we are depending upon the proceeds from future debt or equity investments to sustain our operations and implement our business plan until revenue is sufficient to cover our operating expenses. If we are unable to raise sufficient capital, we will be required to delay or forego some portion of our business plan, which would have a material adverse affect on our anticipated results from operations and financial condition. There is no assurance that we will be able to obtain necessary amounts of capital or that our estimates of our capital requirements will prove to be accurate. As of November 16, 2009, although we have commitments for outside financing, it may not be available in the amounts or times when we require. Furthermore, such financing would likely take the form of bank loans, private placement of debt or equity securities or some combination of these. The issuance of additional equity securities would dilute the stock ownership of current investors while incurring loans, lines of credit or debt by us would increase our capital requirements and possible loss of valuable assets if such obligations were not repaid in accordance with their terms.

During the nine months ended September 30, 2009 cash from operations were \$678,600 as compared to \$284,350 used by operations during the nine months ended September 30, 2008. This is a direct result of our increase in net loss in the amount of \$1,474,861 as compared to \$566,880 during the nine months ended September 30, 2008 and the increase in accounts payable and accrued expenses in the amount of \$1,028,971 during the nine months ended September 30, 2009 as compared to an increase of \$273,087 during the nine months ended September 30, 2008.

During the nine months ended September 30, 2009 we used \$68,216 to purchase property and equipment as compared to \$56,576 during the nine months ended September 30, 2008.

During the nine months ended September 30, 2009 we used \$564,886 of cash in financing activities as compared to \$361,299 being provided from financing activities during the nine months ended September 30, 2008.

During the nine months ended September 30, 2009 we received \$50,000 from the sale of 26,800,000 shares of common stock.

During the nine months ended September 30, 2009 and 2008, we repaid notes payable in the amount of \$510,733 and \$577,896, respectively. Our notes payable were \$1,893,832 at September 30, 2009 and the entire balance was considered current obligations.

During the nine months ended September 30, 2009, net cash paid in relation to our

The accompanying notes are an integral part of the financial statements

shareholder loans was \$3,453 as compared to \$873,188 of new loans received during the nine months ended September 30, 2008.

During the nine months ended September 30, 2009, we experienced cancellations of common stock subscriptions and as such incurred \$100,700 of debt due to the holder.

### **Off-Balance Sheet Arrangements**

Since our inception through September 30, 2009, we have not engaged in any off-balance sheet arrangements as defined in Item 303(c) of the SEC's Regulation S-B.

### **RISK FACTORS**

#### **RISKS WITH RESPECT TO OUR BUSINESS**

#### **MANAGEMENT HAS EXPRESSED UNCERTAINTY AS TO OUR ABILITY TO REMAIN A GOING CONCERN.**

We have incurred losses for the nine months ended September 30, 2009. As of September 30, 2009, we had an accumulated deficit of \$1,711,736. As of September 30, 2009 we had available cash of \$65,700 and a working capital deficit of \$4,297,306. For the near future, it is likely that we will sustain operating expenses without revenues significant enough to cover these expenses. We are likely to have a continually increasing net operating loss until we successfully increase our customer base and level our selling, general and administrative expenses. We cannot guarantee that we will be able to increase our customer base to the extent necessary to generate enough revenue to cover our operating expenses.

#### **WE ARE SUBJECT TO CHANGES IN HEALTHCARE LAWS.**

Each time the United States government amends existing, or introduces new, healthcare laws, we could be potentially faced with accepting lower profit margins and or redesign our services offered. By way of example, the Deficit Reduction Act of 2006, (the "DRA") drastically reduced the amount of revenue our clients were able to generate from each scan through Medicare and therefore caused us to reduce our fees to our clients and lower our profit margins. If the United States government makes further changes in healthcare laws which lower government reimbursement of scans, we will again be forced to reduce our fees and lower our profit margins.

#### **IF WE FAIL TO COMPLY WITH THE EXTENSIVE HEALTHCARE LAWS AND GOVERNMENT REGULATIONS APPLICABLE TO US, WE COULD SUFFER PENALTIES OR BE REQUIRED TO MAKE SUBSTANTIAL CHANGES TO OUR OPERATIONS.**

The healthcare industry is highly regulated. We are required to comply with extensive and complex laws and regulations at the federal, state, and local government levels. These laws and regulations relate to, among other things:

- Licensure and certification of healthcare facilities;
- Professional regulation of Physicians;
- Patient health and safety;

The accompanying notes are an integral part of the financial statements

- Reimbursement for healthcare services;
- Patient referrals; and
- False claims.

If we violate these laws we could be subject to: (1) criminal penalties such as imprisonment and fines; (2) civil penalties, including monetary penalties and the loss of our license to operate our diagnostic imaging facilities; and (3) exclusion or suspension from participating in governmental healthcare programs such as Medicare and Medicaid.

### **WE ANTICIPATE CONTINUED LOSSES IN THE NEAR FUTURE AND FUTURE RESULTS ARE UNCERTAIN.**

Until we increase our customer base to a level that generates revenues sufficient to cover expenses, we will continue to experience losses. There can be no assurance that we will be able to generate sufficient revenues from the sales through our business to achieve or maintain profitability on a quarterly or an annual basis in the future. We expect negative cash flow from operations to continue, at least for the foreseeable future, as we continue to develop our business. If cash generated by operations is insufficient to satisfy our liquidity requirements, we may be required to sell debt or additional equity securities. The sale of additional equity or convertible debt securities would result in additional dilution to our stockholders. Further, there can be no assurance that we will successfully be able to sell our securities in order to obtain additional capital.

### **WE ARE SUBJECT TO SIGNIFICANT COMPETITION.**

The market for RIS/PACS software providers is highly competitive and rapidly changing. Since the introduction of electronic data imaging, the number of RIS/PACS software companies competing has dramatically increased and our management expects the competition to intensify. Currently, there are several large and well-capitalized companies and numerous smaller and midsize companies providing and attempting to provide RIS/PACS software solutions.

Our management believes that the primary competitive factors in providing our products are name recognition, price, quality of service, availability of customer support, reliability, technical expertise and experience. Our success in this market will depend heavily upon our ability to provide a high quality product, high volume, all at a reasonable price. Other factors that will affect our success include our ability to attract experienced marketing, sales and management talent.

### **WE ARE IN COMPETITION WITH OTHER HEALTHCARE PROVIDERS.**

We compete with other local providers of outpatient MRI services in our market area. These MRI facilities may have longer operating histories or other competitive advantages. There can be no assurance that this competition, or other competition which we may encounter in the future, will not adversely affect our business, financial condition, results of operation or cash flows.

**WE ARE DEPENDENT UPON KEY PERSONNEL AND ATTRACTING AND RETAINING HIGHLY SKILLED PERSONNEL.**

We believe our future success will also depend largely upon our ability to attract and retain highly skilled management, technical engineers, sales and marketing, finance and technical personnel. Competition for such personnel is intense and there can be no assurance that we will be successful in attracting and retaining such personnel. The loss of the services of any of the key personnel, the inability to attract or retain qualified personnel in the future, or delays in hiring required personnel, particularly technical engineers and sales personnel, could have a material adverse affect upon our business, results of operations and financial condition.

**REDUCTION OR CHANGES IN REIMBURSEMENT FROM GOVERNMENT OR THIRD-PARTY PAYORS COULD ADVERSELY AFFECT OUR OPERATING RESULTS.**

We are dependent on government and third-party sources for services provided to patients. A number of factors affect the amounts we receive for our services, including, but not limited to, whether or not we are a participating provider, negotiated discounts, fee schedules or capitation payment arrangements, cost containment and utilization decisions of third-party payors, Medicare and Medicaid regulations and reimbursement policies, and other market and cost factors over which we have little or no control.

**WE ARE DEPENDENT ON RELATIONSHIPS WITH PHYSICIANS IN OUR MARKET AREAS.**

Our business depends on physicians referring patients to our diagnostic imaging facility and the strength of our relationship with these physicians. Each physician who refers patients to us may also refer patients to other competitive facilities in our market area. While area physicians are suggested to use the services at our diagnostic facility for their patients, they are not required to do so. Our business could be adversely affected if a significant number of key physicians or a group of physicians terminated their relationship with, or reduced their use of, our diagnostic imaging facility.

**OUR WEB-BASED RADIOLOGY INFORMATION SYSTEM IS LICENSED FROM A THIRD-PARTY AND THERE IS NO GUARANTEE THAT WE WILL BE ABLE TO MAINTAIN OUR SOFTWARE LICENSE.**

Our web-based software product and service is dependent on us maintaining our license agreement with a third-party software vendor. Given the current financial condition of the Company, there is no guarantee that we will be able to continue to maintain our software licensing and maintenance fees. If we are unable to pay our software licensing and maintenance fees then we may loss some or all of our customers.

**THE FUTURE SUCCESS OF OUR BUSINESS IS DEPENDENT ON UPGRADING OUR WEB-BASED RADIOLOGY INFORMATION SYSTEM.**

Maintaining and attracting new customers for our web-based software product and service is continually threatened from competitors that provide a similar product and service with software that is more up to date and that has better features. Given the current financial

condition of the Company, there is no guarantee that we will be able to upgrade our web-based radiology information system. If we are unable to pay to upgrade our software systems, we may lose some or all of our customers.

### **THE FUTURE SUCCESS OF OUR BUSINESS IS DEPENDENT ON UPGRADING OUR IT INFRASTRUCTURE.**

We currently have a datacenter located at our facility that was built-out more than 5 years ago. We have IT infrastructure that has reached end-of-life, as defined by our equipment vendors and manufacturers, which is still being used in our datacenter and that is part of our key systems. These key systems may fail at anytime. If we are unable to raise capital such to upgrade our IT infrastructure we may lose some or all of our customers.

### **WE DO NOT HAVE EMPLOYMENT CONTRACTS WITH KEY EMPLOYEES.**

We do not currently have any employee contracts with any employees. However, we do have key employees who are instrumental to our business and would be difficult to replace. Currently, there are no plans to enter into employment agreements with these employees, however, we may change this policy in the future. There can be no guarantee these employees will accept the agreements if we were to offer agreements to them.

### **KEY MEMBERS OF OUR PERSONNEL ARE EMPLOYED ON A PART-TIME BASIS**

Our President & Chief Executive Officer operates his own consulting firm. Our Chief Operating Officer is employed by Barclays. Our Executive Vice President operates his own consulting firm. Our Chief Financial Officer operates her own CPA firm. Even though our President & Chief Executive Officer and Executive Vice President are currently working for the Company full-time this could change in the near future based on other opportunities. Our Chief Financial Officer and Chief Operating Officer work for us only on a part-time as needed basis. There can be no assurance that these individuals will be able to devote the time required by us.

### **CONFLICTS MAY EXIST WITH CERTAIN OF OUR OFFICERS AND DIRECTORS WHICH MAY CAUSE THEM TO GIVE PRIORITY TO OTHER MATTERS OVER OUR NEEDS WHICH MAY MATERIALLY AFFECT OUR OPERATIONS.**

There are a number of conflicts associated with our officers and directors. These conflicts include, engaging in other businesses similar or dissimilar to ours and allocating their time and services between us and the other entities with which they are involved, as set forth in the preceding risk factor. In the future, we may extend an offer to certain of the part time employees to become full time employees; provided, however, that there can be no assurance that these part time employees will accept our offer of full time employment.

The law firm of Mintz & Fraade, P.C. is our legal counsel. Mintz & Fraade, P.C. owns 2,500,000 shares of our common stock which it received as consideration for legal services rendered to us. A conflict of interest may arise between Mintz & Fraade, P.C.'s capacity as our legal counsel and as a shareholder.

## **WE NEED ADDITIONAL FINANCING TO DEVELOP OUR BUSINESS AND TO MEET OUR CAPITAL REQUIREMENTS.**

We will need additional financing to develop our business and meet our capital requirements. We currently have no arrangements to obtain additional financing and we will be dependent upon sources such as:

- future earnings,
- funds from private sources such as, loans and additional private placements, and
- funds from public offerings.

In view of our current working capital deficit, our ability to obtain additional funds is limited. Additional financing may only be available, if at all, upon terms which may not be commercially advantageous. If adequate funds are not available from operations or additional sources of financing, our business will be materially adversely affected.

## **THE SUCCESS OF OUR ANTICIPATED FUTURE GROWTH IS DEPENDENT UPON OUR ABILITY TO SUCCESSFULLY MANAGE THE GROWTH OF OUR PROPOSED OPERATIONS.**

We expect to experience significant growth in the number of employees and the scope of our operations. Our future success will be highly dependent upon our ability to successfully manage the expansion of our operations. Our ability to manage and support our growth effectively will be substantially dependent upon our ability to implement adequate improvements to financial and management controls, reporting and other procedures and hire sufficient numbers of financial, accounting, administrative and management personnel. Our expansion, and the resulting growth in the number of our employees, will result in increased responsibility for both existing and new management personnel. There can be no assurance that we will be able to identify, attract and retain experienced accounting and financial personnel. Our future operating results will depend upon the ability of our management and other key employees to implement and improve our systems for operations, financial control and information management, and to recruit, train, and manage our employee base. There can be no assurance that we will be able to achieve or manage any such growth successfully or to implement and maintain adequate financial and management controls and procedures. Inability to do so would have a material adverse affect upon our business, results of operations and financial condition.

Our future success depends upon our ability to address potential market opportunities while managing our expenses to match our ability to finance our operations. This need to manage our expenses will place a significant strain on our management and operational resources. If we are unable to manage our expenses effectively, our business, results of operations and financial condition will be adversely affected.

## **RISKS WITH RESPECT TO SHARES OF OUR COMMON STOCK**

### **WE MAY BE SUBJECT TO THE SECURITIES AND EXCHANGE COMMISSION'S "PENNY STOCK" RULES IF OUR COMMON STOCK SELLS BELOW \$5.00 PER SHARE.**

If the trading price of our Common Stock is below \$5.00 per share, trading in our securities may be subject to the requirements of the Securities and Exchange Commission's rules with respect to securities trading below \$5.00, which are referred to as "penny stocks". These rules require the delivery prior to any transaction of a disclosure schedule explaining the penny stock market and all associated risks and impose various sales practice requirements on broker-dealers who sell "penny stocks" to persons other than established customers and accredited investors, which are generally defined as institutions or an investor individually or with their spouse, who has a net worth exceeding \$1,000,000 or annual income, individually exceeding \$200,000 or, with their spouse, exceeding \$300,000. For these types of transactions the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in our Common Stock, which could severely limit its market price and liquidity.

In addition, we will be subject to an SEC rule (Rule 15c2-11) (the so-called penny stock rules) which imposes various requirements on broker-dealers who sell securities governed by the rule to persons other than established customers and accredited investors. The requirement that broker-dealers comply with this rule could deter broker-dealers from recommending or selling our Common Stock, thus further adversely affecting the liquidity and share price of our Common Stock, as well as our ability to raise additional capital.

### **THERE CAN BE NO ASSURANCE THAT WE WILL PAY ANY DIVIDENDS ON OUR COMMON STOCK.**

There can be no assurance that we will have sufficient earnings to pay any dividends with respect to our common stock. Moreover, even if we have sufficient earnings, we are not obligated to declare dividends with respect to our Common Stock. The future declaration of any cash or stock dividends will be in the sole and absolute discretion of the Board of Directors, and will depend upon our earnings, capital requirements, financial position, general economic conditions and other pertinent factors. It is also possible that the terms of any future debt financing may restrict the payment of dividends. We presently intend to retain earnings, if any, for the development and expansion of our business.

**OUR DIRECTORS HAVE THE RIGHT, WITHOUT THE AGREEMENT OF SHAREHOLDERS, TO AUTHORIZE THE ISSUANCE OF PREFERRED STOCK WITH ANY RIGHTS ALLOWABLE PURSUANT TO LAW, WHICH COULD ADVERSELY AFFECT THE RIGHTS AND VALUE OF OUR COMMON STOCK, WHICH MAY SUBSTANTIALLY REDUCE THE RIGHTS OF HOLDERS OF COMMON STOCK, INCLUDING VOTING RIGHTS AND LIQUIDATION PREFERENCES.**

Our directors, without further action by our shareholders, have the authority to issue shares of Preferred Stock from time to time in one or more series, and to fix the number of shares, the relative rights, conversion rights, voting rights, terms of redemption, liquidation preferences and any other preferences, special rights and qualifications of any such series. Any issuance of Preferred Stock could adversely affect the rights of holders of Common Stock and the value of such Common Stock. Although our Board of Directors is required to make any determination to issue such stock based upon its judgment as to the best interests of our stockholders, our Board of Directors could, for example, act in a manner which would discourage an acquisition attempt or other transaction which some, or a majority, of the stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then market price of such stock. Our Board of Directors does not at present intend to seek stockholder approval prior to any issuance of currently authorized stock, unless otherwise required by applicable law or stock exchange rules.

**THERE CAN BE NO ASSURANCE THAT OUR COMMON STOCK WILL EVER BE LISTED OR QUOTED ON NASDAQ, THE NEW YORK STOCK EXCHANGE, THE AMERICAN STOCK EXCHANGE, THE OTC BULLETIN BOARD OR ONE OF THE OTHER NATIONAL SECURITIES EXCHANGES OR MARKETS, OR THAT IF SO LISTED OR QUOTED, THAT IT WOULD THEREAFTER INCREASE IN VALUE.**

Until such time as our Common Stock is listed upon any of the several NASDAQ markets, the New York Stock Exchange, the American Stock Exchange, or one of the other national securities exchanges or markets, of which there can be no assurance, accurate quotations as to the market value of our securities may not be possible. Sellers of our securities are likely to have more difficulty disposing of their securities than sellers of securities which are listed upon any of the several NASDAQ markets, the New York Stock Exchange, the American Stock Exchange, or one of the other national securities exchanges or markets.

Although we intend for our Common Stock to continue to trade on public markets, including, but not limited to, the Pink Sheets and subsequently on the OTC Bulletin Board, there can be no assurance that we would be successful in having our Common Stock listed or quoted on such a public market, or that if so listed or quoted, that our Common Stock would thereafter increase in value.

Even if a public market does develop, the volume of trading in our Common Stock will presumably be limited and likely dominated by a few individuals. The limited volume, if any, will make the price of our Common Stock subject to manipulation by one or more stockholders and will significantly limit the number of shares that one can purchase or sell in a short period of time. An investor may find it difficult to dispose of shares of our Common Stock or obtain a fair price for our Common Stock in the market.

## **ITEM 5: Legal Proceedings**

### **Shareholder and Former President**

On October 20, 2009, the Company filed a Demand for Arbitration (the "Demand") with the American Arbitration Association in New York, NY against Garth James, the former owner of Corpus, Technologies, and the former majority shareholder of SOMRI. Together with the

Demand, a Statement of Claim was filed whereby the Company is seeking to recover damages from Mr. James based upon a Breach of Contract. Fraud in the Inducement, Material Misrepresentations and Unjust Enrichment with respect to an Acquisition Agreement and the breach of an Employment Agreement. As of the date of this Quarterly Report, the Company is awaiting Mr. James response to the Statement of Claim. A response is due on or before November 23, 2009.

### **Notes Receivables**

On October 29, 2009, SOMRI filed an Original Petition and Request for Disclosures with the District Court in Dallas County, Texas against MRI Central – Little Rock, Inc. (“Little Rock”) and MRI Central – Lubbock, Inc. (“Lubbock”) whereby seeking to recover monies loaned to both Little Rock and Lubbock through various promissory notes as early as February 2006. The principal amount owed to SOMRI is \$356,900. As of the date of this Quarterly Report, SOMRI is awaiting responses from both Little Rock and Lubbock and anticipates these responses to occur within fifty (50) days from the date of the petition filing.

### **Former Employee**

Mr. Jeff Brooks, a former employee of Corpus, alleges that on April 26, 2007, Corpus, Mr. Garth James, Corpus’s former President and current shareholder, allegedly reached a tentative agreement with Mr. Brooks whereby Mr. Brooks would receive approximately \$150,000 for various compensation and reimbursement. During June 2007, Corpus and Mr. James rejected the tentative agreement. As such, Mr. Brooks is seeking to validate and enforce the agreement, additional damages of an undetermined amount, attorney’s fees and court costs, and pre-judgment and post-judgment interest. On September 29, 2009, the State of Texas Court of Appeals affirmed the trial court’s judgment that the alleged settlement is not enforceable and that Corpus would recover all costs of the appeal from Jeff Brooks.

### **Note Payable**

On August 21, 2008, Laurel Center Management Employee Profit Sharing Trust,, (“Laurel”), the holder of a promissory note from Corpus filed suit in the District Court of Dallas County, Texas against Corpus and Mr. Garth James, the Corpus’s former President and shareholder, for Breach of Contract. The suit claims that Corpus failed to make the required quarterly payment on July 1, 2008 within the 15 day grace period and caused the promissory note to be in default. Laurel sent Corpus notice of its intent to accelerate the promissory note, as called for in the default provisions, on August 6, 2008. Corpus failed to pay the amount owing and Laurel is seeking actual damages to be determined at trial, reasonable and necessary attorney’s fees and court costs and pre-judgment and post-judgment interest at the highest lawful rates. As of September 30, 2009, there remains a summary judgment for the full amount of \$1,011,638.44 against Corpus and Mr. Garth James.

### **Lease**

On July 6, 2009, YPI 6688 NCX, LLC, (“Younan”), Corpus’ former landlord, filed suit in the District Court of Dallas County, Texas against Corpus for Breach of its Lease Contract. Corpus entered into a six (6) year Lease Agreement with Younan on October 22, 2003. The suit states

that Corpus had vacated the premises prior to the end of the lease term and failed to make payments due under the lease constituting a default and breach of the lease. On August 14, 2009, the District Court of Dallas Awarded Younan a judgment for the sum of \$188,593.30.

**ITEM 6: Default on Senior Securities**

None

**ITEM 7: Other Information**

On November 11, 2009, Shoreline entered into a one (1) year Lease Agreement with Centre Suites at High Point, Inc. whereby Shoreline leased a total of three (3) offices comprising of 606 square feet of executive office space.

On November 11, 2009, FirstView entered into a six (6) month Lease Agreement with Centre Suites at High Point, Inc. whereby FirstView leased a total of two (2) offices comprising of 340 square feet of executive office space.

On July 24, 2009, Taptopia acquired certain source code and intellectual properties for three business Apple iPhone applications from Intellimatics, Inc.

During October 2009 Metiscan, Inc.'s Board of Directors approved the chapter 7 bankruptcy filing for Corpus. Accordingly, the company has written off corresponding assets and recorded the historical activities of Corpus as discontinued operations.

Metiscan, Inc. has not materially modified the terms of any securities as of September 30, 2009. There have been no adjustments to previously issued financial statements as of September 30, 2009.

**ITEM 8: Exhibits**

- (1) Certificate of Designation for Series D Convertible Preferred Stock of Metiscan, Inc., par value of \$.0001 per share.

## **ITEM 9: Certifications**

I, Bryan A. Scott, hereby certify that:

1. I have reviewed this Quarterly Financial Report of Metiscan, Inc.;
2. Based upon my knowledge, this Disclosure Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light to the circumstances under which such statements were made, not misleading with respect to the period covered by this Disclosure Statement; and
3. Based upon my knowledge, the financial statements, and other financial information included or incorporated by reference in this Disclosure Statement, fairly present in all material respects the financial condition, results of operations and cash flows of he issuer as of, and for, the periods presented in this Disclosure Statement.

Dated this 16<sup>th</sup> day of November, 2009:

/s/Bryan A. Scott  
President & CEO

I, Janine FrieH, hereby certify that:

1. I have reviewed this Quarterly Financial Report of Metiscan, Inc.;
2. Based upon my knowledge, this Disclosure Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light to the circumstances under which such statements were made, not misleading with respect to the period covered by this Disclosure Statement; and
3. Based upon my knowledge, the financial statements, and other financial information included or incorporated by reference in this Disclosure Statement, fairly present in all material respects the financial condition, results of operations and cash flows of he issuer as of, and for, the periods presented in this Disclosure Statement.

Dated this 16th day of November, 2009:

/s/Janine FrieH  
Chief Financial Officer

I, Brian Hart, hereby certify that:

1. I have reviewed this Quarterly Financial Report of Metiscan, Inc.;
2. Based upon my knowledge, this Disclosure Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light to the circumstances under which such statements were made, not misleading with respect to the period covered by this Disclosure Statement; and
3. Based upon my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Disclosure Statement.

Dated this 16th day of November, 2009:

/s/Brian A. Hart  
Chief Operations Officer

**METISCAN, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 65,700	\$ 21,701
Cash, restricted	8,058,920	
Accounts receivable	399,357	533,541
Prepaid expenses	29,161	49,740
Advances from affiliates	406,953	817,585
	8,960,091	1,422,567
<b>TOTAL CURRENT ASSETS</b>	<b>8,960,091</b>	<b>1,422,567</b>
<b>PROPERTY AND EQUIPMENT</b> , net of accumulated depreciation	2,748,407	2,918,249
<b>OTHER ASSETS</b>	345,919	345,919
	345,919	345,919
<b>TOTAL ASSETS</b>	<b>\$ 12,054,417</b>	<b>\$ 4,686,735</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 2,417,249	1,480,083
Accrued interest, shareholder	57,425	19,344
Notes payable, shareholder	294,279	560,878
Notes payable, current portion	1,893,832	2,548,347
	4,662,785	4,608,652
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,662,785</b>	<b>4,608,652</b>
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Preferred stock, par value \$0.0001 per share		
Authorized – 10,000,000 shares		
Issued and outstanding – 48 shares series "A"	-	-
Issued and outstanding – 72 shares series "B"	-	-
Issued and outstanding – 750,000 shares series "C"	75	-
Issued and outstanding – 500,000 shares series "D"	50	-
Common stock, par value \$0.0001 per share		
Authorized – 5,000,000,000 shares		
Issued and outstanding – 2,031,542,237 and 243,228,600, respectively	203,154	24,323
Additional paid-in capital	8,900,089	290,635
Accumulated deficit	(1,711,736)	(236,875)
	7,391,632	78,083
<b>TOTAL STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>7,391,632</b>	<b>78,083</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 12,054,417</b>	<b>\$ 4,686,735</b>

The accompanying notes are an integral part of the financial statements

**METISCAN, INC. & SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008**  
**(UNAUDITED)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>REVENUES</b>	\$ 566,498	\$ 155,264	\$ 1,718,148	\$ 576,397
<b>COST OF REVENUES</b>	<u>149,278</u>	<u>41,636</u>	<u>414,354</u>	<u>84,034</u>
<b>GROSS PROFIT</b>	417,220	113,628	1,303,794	492,363
<b>EXPENSES</b>				
Selling, general and administrative	<u>642,526</u>	<u>242,071</u>	<u>1,366,468</u>	<u>758,495</u>
<b>TOTAL EXPENSES</b>	<u>642,526</u>	<u>242,071</u>	<u>1,366,468</u>	<u>758,495</u>
<b>(LOSS) FROM CONTINUING OPERATIONS</b>	<u>(225,306)</u>	<u>(128,443)</u>	<u>(62,674)</u>	<u>(266,132)</u>
<b>OTHER INCOME (EXPENSE)</b>				
Loss on settlement of debt, net of gains	(966,740)	-	(943,131)	-
Interest expense	<u>(44,668)</u>	<u>(76,041)</u>	<u>(82,864)</u>	<u>(300,748)</u>
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<u>(1,011,408)</u>	<u>(76,041)</u>	<u>(1,025,995)</u>	<u>(300,748)</u>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	(1,236,714)	(204,484)	(1,088,669)	(566,880)
Income tax expense	<u>8,044</u>	<u>-</u>	<u>69,865</u>	<u>-</u>
<b>NET INCOME (LOSS) FROM CONTINUING OPERATIONS</b>	(1,244,758)	(204,484)	(1,158,534)	(566,880)
<b>NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS</b>	<u>(74,569)</u>	<u>-</u>	<u>(316,327)</u>	<u>-</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (1,319,327)</u>	<u>\$ (204,484)</u>	<u>\$ (1,474,861)</u>	<u>\$ (566,880)</u>
<b>NET (LOSS) PER COMMON SHARE</b>				
Basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
Basic and diluted	<u>643,192,495</u>	<u>55,989,710</u>	<u>7,269,828,600</u>	<u>55,989,710</u>

**METISCAN, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**  
**(UNAUDITED)**

	Preferred Series "A"		Preferred Series "B"		Preferred Series "C"		Preferred Series "D"		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance December 31, 2008	-	\$ -	-	\$ -	-	\$ -	-	\$ -	243,228,600	\$ 24,323	\$ 290,635	\$ (236,875)	\$ 78,083
Issuance of stock for acquisition of subsidiary	48	-	72	-	900,000	90	-	-	-	-	(90)	-	-
Issuance of stock for acquisition of property	-	-	-	-	-	-	-	-	5,000,000	500	24,500	-	25,000
Issuance of stock for cash	-	-	-	-	-	-	500,000	50	190,001,415	19,000	8,088,370	-	8,107,425
Issuance of common stock for services	-	-	-	-	-	-	-	-	18,062,222	1,806	57,884	-	59,690
Issuance of common stock for debt	-	-	-	-	-	-	-	-	72,250,000	7,225	689,775	-	697,000
Shares held in escrow pursuant to financing agreement	-	-	-	-	-	-	-	-	5,000,000	500	(500)	-	-
Conversion of preferred shares	-	-	-	-	(150,000)	(15)	-	-	1,500,000,000	150,000	(149,985)	-	-
Cancellation of common stock subscription	-	-	-	-	-	-	-	-	(2,000,000)	(200)	(100,500)	-	(100,700)
Net loss	-	-	-	-	-	-	-	-	-	-	-	(1,474,861)	(1,474,861)
Balance, September 30, 2009	48	\$ -	72	\$ -	750,000	\$ 75	500,000	\$ 50	2,031,542,237	\$ 203,154	\$ 8,900,089	\$ (1,711,736)	\$ 7,391,632

The accompanying notes are an integral part of the financial statements

**METISCAN, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008**  
**(UNAUDITED)**

	<b>2009</b>	<b>2008</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss) from continuing operations	\$ (1,474,861)	\$ (566,880)
Net income (loss) from discontinued operations		-
Adjustments to reconcile net (loss) to net cash (used) by operating activities:		
Common stock issued for services	59,690	-
Gain (loss) on settlement of debt	(334,487)	14,622
Loss on settlement of debt with stock issuance	943,139	-
Depreciation expense	263,058	114,812
Amortization of loan fees	-	100,255
Changes in operating assets and liabilities:		
Accounts receivable	134,184	24,718
Prepaid expenses	20,579	(28,333)
Accounts payable and accrued liabilities	1,038,971	273,087
Accrued interest, shareholder	38,081	57,837
Advances from affiliates	3,446	(274,468)
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<b>678,600</b>	<b>(284,350)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(68,216)	(56,576)
<b>NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES</b>	<b>(68,216)</b>	<b>(56,576)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Bank overdraft	-	(21,493)
Proceeds from the sale of common stock	50,000	87,500
Repayments of notes payable	(510,733)	(577,896)
Proceeds from (repayments of) notes payable, shareholder	(3,453)	873,188
Cancellation of common stock subscription	(100,700)	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>(564,886)</b>	<b>361,299</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>43,999</b>	<b>20,373</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>21,701</b>	<b>4,748</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>\$ 65,700</b>	<b>\$ 25,121</b>

**METISCAN, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008**  
**(UNAUDITED)**

	<u>2009</u>		<u>2008</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>			
Interest paid	\$ 259,497	\$	200,493
Taxes paid	\$ 73,130	\$	-

**METISCAN, INC. & SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENT FOOTNOTES**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**  
**(UNAUDITED)**

**NOTE 1                    ORGANIZATION AND BASIS OF PRESENTATION**

*Description of Business*

Metiscan, Inc (the Company, us, or we) was incorporated on February 27, 1997 in the state of Florida. During 1999, the Company was a provider of internet and communication technologies. Metiscan, Inc was formerly known as OSCM-One Stop.com, Inc. On September 25<sup>th</sup>, 2008, by the consents of the Stockholders and the Board of Directors, a merger occurred between Metiscan, Inc., a State of Delaware corporation, and OSCM – One Stop.com, Inc., a company duly incorporated in the State of Florida. Pursuant to the plan of merger, Metiscan, Inc. was the surviving entity in the transaction.

On August 8, 2008, the Company acquired Metiscan Technologies, Inc. (Technologies) in a stock-for-stock, tax-free exchange transaction. As a result, Technologies became a wholly owned subsidiary of the Company. Per the acquisition agreement, (the “Agreement”), the Company issued a total of 157,000,000 shares of its common stock in exchange for 100% of the issued and outstanding shares of Technologies. The Agreement calls for 32,000,000 shares to be issued upon closing and 125,000,000 to be issued as soon as practicable possible after the Company files an amendment to increase its authorized shares. On August 8, 2008, the 32,000,000 shares were issued. On August 21, 2008, the 125,000,000 shares were issued.

For accounting purposes, this transaction has been accounted for as a reverse merger, since the stockholders of Technologies own a majority of the issued and outstanding shares of common stock of the Company, and the directors and executive officers of Technologies became the directors and executive officers of the Company. This acquisition was accounted for at historical cost in a manner similar to that in pooling of interests method since after the acquisition, the former shareholders of Technologies acquired majority of the outstanding shares of the Company. The financial statements of the legal acquirer are not significant; therefore, no pro forma financial information is submitted. Thus, the historical financial statements are those of Technologies.

On December 31, 2008, the Company completed the acquisition of two diagnostic imaging facilities, Schuylkill Open MRI, Inc. (SOMRI) located in Pottsville, Pennsylvania and Metiscan-CC, Inc. (Corpus), located in Corpus Christi, Texas in a stock-for-stock, tax-free exchange transaction. As a result, Corpus became a wholly owned subsidiary of the Company and SOMRI became a majority owned subsidiary of the Company. Per the same Agreement the Company agreed to issue a total of 9,000,000,000 shares (the “Imaging Shares”) of its common stock in exchange for 100% of the issued and outstanding shares of Corpus and a majority ownership of SOMRI. As per an ancillary letter agreement dated December 31<sup>st</sup>, 2008, Metiscan agreed to issue the Imaging

Shares on or before March 31<sup>st</sup>, 2009. The Imaging Shares were issued as 900,000 Series “C” Preferred Stock on May 7, 2009.

For accounting purposes, this transaction has also been accounted for as a reverse merger, since the stockholders of SOMRI and Corpus have been Series “C” Preferred Stock that converts into a majority of the issued and outstanding shares of common stock of the Company, and the directors and executive officers of SOMRI and Corpus became the directors and executive officers of the Company. This acquisition was accounted for at historical cost in a manner similar to that in pooling of interests method since after the acquisition, the former shareholders of SOMRI and Corpus acquired majority of the outstanding shares of the Company.

On June 24<sup>th</sup>, 2009, Metiscan announced that it had determined to reposition itself as a holding company focused on growing its organization by making key acquisitions and developing companies and emerging technologies.

On October 16, 2009, Corpus filed a petition for relief under Chapter 7 of the Bankruptcy Code. As such, the Company has written off any corresponding assets and liabilities and presented the operating results from Corpus as discontinued operations.

On October 20, 2009, the Company filed a Demand for Arbitration (the “Demand”) with the American Arbitration Association in New York, NY against Garth James, the former owner of Corpus, Technologies, and the former majority shareholder of SOMRI. Together with the Demand, a Statement of Claim was filed whereby the Company is seeking to recover damages from Mr. James based upon Breach of Contract, Fraud in the Inducement, Material Misrepresentations and Unjust Enrichment with respect to an Acquisition Agreement and the breach of an Employment Agreement. As of the date of this Quarterly Report, the Company is awaiting Mr. James response to the Statement of Claim. A response is due on or before November 23, 2009.

On October 29, 2009, SOMRI filed an Original Petition and Request for Disclosures with the District Court in Dallas County, Texas against MRI Central – Little Rock, Inc. (“Little Rock”) and MRI Central – Lubbock, Inc. (“Lubbock”) seeking to recover monies loaned to both Little Rock and Lubbock through various promissory notes as early as February 2006. The principal amount owed to SOMRI is \$356,900. As of the date of this Quarterly Report, SOMRI is awaiting responses from both Little Rock and Lubbock and anticipates these responses to occur within fifty (50) days from the date of the petition filing.

As of September 30, 2009, Metiscan operated the following subsidiaries:

- **FirstView EHR, Inc. (FirstView)** – FirstView is a wholly owned subsidiary, that provides end-to-end IT services for diagnostic imaging facilities including web based electronic healthcare records (EHR), workflow efficiency, PACS administration, long-term archiving, professional IT services and strategic consulting.

Since 2001 and through its predecessor, FirstView has been providing Software-as-a-Service (SaaS) to its imaging center clients utilizing an Application Service Provider (ASP) model. FirstView helps its clients manage, distribute, interpret and archive digital images more efficiently and cost effectively. FirstView's keystone product is a web-based radiology information system that interfaces Radiology Information System (RIS), Teleradiology and PACS (Picture Archiving and Communication System) for its clients. FirstView also provides information management and IT operations support for diagnostic imaging facilities through complete revenue cycle management, EHRs, medical transcription services and functional training as needed. FirstView supports HL7 and DICOM standards. FirstView was formerly known as Metiscan Managed Services, Inc.

- **Schuylkill Open MRI, Inc. (SOMRI)** – SOMRI is a majority owned subsidiary that is an independent diagnostic testing facility (IDTF) providing Magnetic Resonance Imaging (MRI) services. SOMRI officially opened for business and began its operations in March of 2003 as a freestanding outpatient open MRI facility located in Pottsville, PA. SOMRI currently performs exams on the Siemens Concerto OPEN MRI System with the new Syngo software, giving patients the comfort of an open MRI system combined with high-field MRI speed and quality. In 2008 Schuylkill also added the Siemens Magnetom Vision 1.5T high field closed magnet to its facility. Having both magnets gives SOMRI flexibility in the studies it can conduct. SOMRI uses Services' Teleradiology and Radiology Information Systems (RIS) guaranteeing professional and timely transcribed results. Same day, evening and Saturday appointments are also available to accommodate any patient's schedule or needs.

SOMRI participates in most major insurance plans and honors in-network benefits for patients in non-participating plans. SOMRI also accepts Medicare, Medicaid, Worker's Compensation claims, Personal Injury (PIP) and Letters of Protection (LOPs) for participating personal injury attorneys in the area. SOMRI is accredited by the American College of Radiology (ACR).

- **Shoreline Employment Services, Inc. (Shoreline)** – Shoreline is an employment services company that provides management and administrative assistance in the form of part-time, full time, and contract employees, and provides other human resource related services such as employee benefits and retirement plan (401k) options to Metiscan and Metiscan's subsidiaries on an as-needed basis.
- **Taptopia, Inc. (Taptopia)** – Taptopia is a wholly owned subsidiary that provides design and development services for Smartphone platforms. Taptopia is focused on designing and developing innovative consumer and enterprise Smartphone software solutions for today's most popular Smartphone platforms.

### *Basis of Presentation*

These interim condensed financial statements for the nine months ended September 30, 2009 and 2008 have been prepared by the Company's management, without audit, in accordance with accounting principles generally accepted in the United States of America and pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). In the opinion of management, these interim condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments, unless otherwise noted) necessary to present fairly the Company's financial position, results of operations and cash flows for the fiscal periods presented. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in these interim financial statements pursuant to the SEC's rules and regulations, although the Company's management believes that the disclosures are adequate to make the information presented not misleading. The financial position, results of operations and cash flows for the interim periods disclosed herein are not necessarily indicative of future financial results. These interim condensed consolidated financial statements should be read in conjunction with the quarterly financial statements and the notes thereto included in the Company's most recent Annual Report for the fiscal year ended December 31, 2008.

Further, in connection with preparation of the consolidated condensed financial statements and in accordance with the recently issued Statement of Financial Accounting Standards No. 165 "Subsequent Events" (SFAS 165), the Company evaluated subsequent events after the balance sheet date of September 30, 2009 through the issuance date of November 16, 2009.

### *Going Concern*

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. The Company has incurred significant operating losses during the nine months ended September 30, 2009 and has a working capital deficit of \$4,297,306. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from this uncertainty.

During the remainder of fiscal 2009, Management plans to take the following steps in order to grow Metiscan;

- Continue to reduce operating expenses by eliminating inefficiencies in our operations;
- Renegotiate and refinance liabilities with equipment debtors in order to improve

working capital with the intent of reinvesting the free cash-flow in marketing our products and services;

- Raise additional working capital through the sale of the Company's common stock and convertible debt; and
- Develop and acquire new technologies that add value to the overall entity.

### *Revenue Recognition*

The Company uses the accrual method of accounting. Sales are recognized when service is provided.

### *Depreciation and Amortization*

The Company depreciates its property and equipment using the straight-line method with estimated useful lives from five to thirty-nine years. For federal income tax purposes, depreciation is computed using an accelerated method.

### *Income Taxes*

The Company accounts for income taxes under SFAS 109, "Accounting for Income Taxes." Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment occurs. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts and timing of revenues and expenses, the reported amounts and classification of assets and liabilities, and the disclosure of contingent assets and liabilities. These estimates and assumptions are based on the Company's historical results as well as management's future expectations. The Company's actual results could vary materially from management's estimates and assumptions.

### *Disclosure About Fair Value of Financial Instruments*

The Company estimates that the fair value of all financial instruments at September 30, 2009 as defined in FASB 107 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

### *Basic and Diluted Income (Loss) per Share*

In accordance with SFAS No. 128, "Earnings Per Share," basic income (loss) per common share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding. Diluted income (loss) per common share is computed similar to basic income per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. As of September 30, 2009 and 2008, the Company had no potentially dilutive shares.

### *Recent Accounting Pronouncements*

There are no current accounting pronouncements that affect the Company.

## **NOTE 2      COMMON STOCK AND PREFERRED STOCK**

On January 1, 2009, the Company authorized the issuance of 4,050,000 shares of the Company's common stock, as a bonus to select employees. The shares had a fair market value of \$8,100.

On February 1, 2009, our subsidiary FirstView added Mary Glover to its Board of Directors agreed to issue 1,000,000 shares of the Company's common stock as compensation for a 1-year appointment. The shares had a fair market value of \$2,000 and were issued on July 15, 2009

On February 4, 2009 the Company authorized the creation of 48 shares of "Series A Preferred Stock" and 72 shares of "Series B Preferred Stock". The Series A Preferred Stock and the Series B Preferred Stock each has a par value of \$0.0001. The Series A Preferred Stock and the Series B Preferred Stock were authorized to be issued pursuant to the Acquisition Agreement between Metiscan, Inc. and Metiscan Holdings, Inc.

On March 3, 2009 the Company received a Put notice from an unrelated party pursuant to its stock purchase agreement dated August 20, 2008. The Put of \$47,700 was

satisfied with an initial payment of \$2,700 and a Promissory Note, dated March 16, 2009, for the balance of \$45,000 having an annual interest rate of 12% and paid in 11 equal monthly payments of \$4,340.

On March 3, 2009 the Company received a Put notice from an unrelated party pursuant to its stock purchase agreement dated August 20, 2008. The Put of \$53,000 was satisfied with an initial payment of \$3,000 and a Promissory Note, dated March 16, 2009, for the balance of \$50,000 having an annual interest rate of 12% and paid in 11 equal monthly payments of \$4,822.

On March 27, 2009 the Company authorized the issuance of 3,500,000 shares of the Company's common stock, as a bonus to some of its Shoreline employees. The shares had a fair market value of \$7,000.

On April 3, 2009, the Company issued 12,250,000 shares of its common stock in payment of \$25,000 of principal due to an unrelated individual. The shares were issued pursuant to a legal proceeding commenced against our subsidiary for default of payment. Management believes that the shares had a fair market value of approximately \$40,000 at the time the parties verbally agreed to the settlement amount and the difference between the value of the stock and the amount of the claim was attributed to the consideration being non-cash.

On May 7, 2009 the Company authorized the creation of 900,000 shares of "Series C Preferred Stock". The Series C Preferred Stock has a par value of \$0.0001. The Holders of the Series C Preferred Stock shall have the right to convert each share of the Series C Preferred Stock into 10,000 shares of the Corporation's common stock at any time in its sole and absolute discretion.

On May 27, 2009, the Company completed a sale of 5,800,000 shares of its common stock in consideration of \$25,000 of principal through a Regulation 504 offering to a third-party investment group.

On June 5, 2009, the Company issued 900,000 shares of its Series C Preferred Stock in accordance with the December 31, 2008 purchase of the imaging centers. See Note 1.

On June 23, 2009, the Board of Directors approved the execution of term sheets as received by a third-party investment group for financing for Metiscan, Inc. Pursuant to the term sheet, the Company issued 5,000,000 shares of its common stock as a break-up fee to the third-party investment group, which have been deposited with an Escrow Agent.

On June 29, 2009, Steve Krim, FirstView's former President was granted a stock bonus of 2,000,000 shares of the Company's common stock. The shares had a fair market value of \$4,000.

On July 1, 2009, Corpus executed a Debt Settlement Agreement with one of its creditors pursuant to which the Company agreed to issue the creditor 9,363,450 shares of the Company's common stock as full and complete payment of the \$456,000 owed to the creditor.

On July 1, 2009, Corpus executed a Debt Settlement Agreement with one of its creditors pursuant to which the Company agreed to issue the creditor 636,550 shares of the Company's common stock as full and complete payment of the \$31,000 owed to the creditor.

On July 15, 2009, the Board of Directors, upon the consent of the shareholders owning a majority of the shares then issued and outstanding, approved a resolution to amend the Articles of Incorporation of the Company to increase the number of authorized shares to five billion (5,000,000,000) shares of common stock, par value \$.0001 per share, and ten million (10,000,000) shares of preferred stock, par value \$.0001 per share.

On July 15, 2009, the Holder of nine hundred thousand (900,000) shares of "Series C Preferred Stock" notified the Company that it wished to convert 150,000 shares, with each share of the Series C Preferred Stock being equal to 10,000 shares of the Company's common stock, into one billion five hundred million (1,500,000,000) shares of the Company's common stock.

On July 21, 2009, the Company amended its Certificate of Incorporation to increase the number of authorized shares to five billion ten million (5,010,000,000) shares, of which five billion (5,000,000,000) shares are common stock, par value of \$.0001 per share, and ten million (10,000,000) shares are preferred stock, par value \$.0001 per share.

On July 22, 2009 and pursuant to the notice as received by the Company from the Holder of nine hundred thousand (900,000) shares of "Series C Preferred Stock", the Company issued to the Holder one billion five hundred million (1,500,000,000) shares of the Company's common stock.

On July 24, 2009, the Board of Directors approved the issuance of 5,000,000 shares of the Company's common stock in connection with the acquisition of source code and intellectual properties for three business Apple iPhone applications by its wholly owned subsidiary, Taptopia, Inc.

On July 28, 2009, the Company issued 50,000,000 shares of its common stock in payment of \$84,241 of principal and accrued interest due to an unrelated individual. The shares were issued pursuant to a legal proceeding commenced against our subsidiary for default of payment. Management believes that the shares had a fair market value of approximately \$170,000 at the time the parties verbally agreed to the settlement amount and the difference between the value of the stock and the amount of the claim was attributed to the consideration being non-cash.

On August 10, 2009, the Company sold 163,201,415 shares of its common stock in consideration of \$783,597 pursuant to a Regulation 504 offering to a single third-party private investor. The release of the funds is subject to the terms and conditions of an Account Management Agreement.

On August 11, 2009, the Company executed a Unit Subscription Agreement (“USA”) with five (5) investors (the “Investors”) whereas each of the Investors agreed to acquire 100,000 shares of Series D Preferred Stock of the Company (to be created) in exchange for a total of five (5) investments with each having an individual value of one million four hundred fifty four thousand seven hundred and sixty five dollars (\$1,454,765) and an aggregate value (sum of all 5 investments) of seven million two hundred and seventy three thousand eight hundred and twenty three dollars (\$7,273,823).

On August 21, 2009, the Company authorized the creation of 500,000 shares of Series D Preferred Stock. The Series D Preferred Stock has a par value of \$0.0001 and the holders of the Series D Preferred Stock shall have the right to convert each share of the Series D Preferred Stock into 1,168 shares of the Corporation’s common stock at any time in its sole and absolute discretion.

On August 21, 2009, pursuant to the USA (as describe above), the Board of Directors authorized the issuance of 500,000 shares of the Series D Preferred Stock to the Investors in exchange for a total investment of seven million two hundred and seventy three thousand eight hundred and twenty three dollars (\$7,273,823).

The release of all monies from the sale of the 500,000 shares of Series D Preferred Stock are subject to a number of conditions, including, but not limited to, registration of the underlying common stock with the SEC and the terms and conditions of an Account Management Agreement.

On September 14, 2009, the Company authorized the issuance of 833,333 shares of its common stock to a consultant for services rendered. The shares had a fair market value of \$5,000 based on the services received and were issued on October 2, 2009.

On September 14, 2009, the Company authorized the issuance of 488,889 shares of its common stock to a consultant for services rendered. The shares had a fair market value of \$2,640 based on the services received and were issued on October 2, 2009.

On September 14, 2009, the Company authorized the issuance of 1,000,000 shares of its common stock in consideration of a \$5,000 investment by a third party investor. The common stock was purchased pursuant to a Subscription Agreement.

On September 14, 2009, the Company sold 20,000,000 shares of its common stock in consideration of \$20,000 pursuant to a Regulation 504 offering to a single third-party private investor.

On September 14, 2009, the Company authorized the issuance of 5,000,000 shares of its common stock to a consultant for services rendered. The shares had a fair market value of \$25,000 based on the services received and were issued on October 2, 2009.

On September 14, 2009, the Company authorized the issuance of 10,000,000 shares of its common stock to affiliates in settlement of a debt agreement. The shares had a fair market value of \$487,000 based on the settlement agreement.

On September 23, 2009, the Company authorized the issuance of 1,190,000 shares of its common stock to a consultant for services rendered. The shares had a fair market value of \$5,590 based on the services received and are not yet issued.

On November 9, 2009, the Company rescinded the sale of stock made on September 14<sup>th</sup>, 2009 to a single private investor due to failure of payment for the shares. On November 11, 2009 a settlement was agreed upon whereby the investor agreed to return and cancel 15 million shares and purchase the balance, or 5 million shares, for \$16,000.

### **NOTE 3      LOSS ON SETTLEMENT OF DEBT**

During the nine months ended September 30, 2009, the Company negotiated a settlement with a note holder, also a shareholder, whereby the shareholder forgave a total of \$263,146 of debt.

During the nine months ended September 30, 2009, the Company negotiated a restructuring of a note payable with Siemens Corporation whereby Siemens forgave a total of \$35,449 of debt.

During the nine months ended September 30, 2009, the Company negotiated the settlement of various trade payables which resulted in the forgiveness of \$35,892 of debt.

During the nine months ended September 30, 2009, the company negotiated a settlement with affiliates whereby the Company forgave \$407,185 of amounts due from the affiliates. Accordingly, the Company recorded this amount as a loss on debt settlement.

During the nine months ended September 30, 2009, the Company issued a total of 72,250,000 shares of common stock in payment of various debt settlements. The shares had a combined fair value of \$697,000. Total debt relieved under these transactions was \$109,241. Accordingly, the Company recorded the additional \$587,759 as a loss on debt settlement.

## **NOTE 4      LEGAL PROCEEDINGS**

### **Shareholder and Former President**

On October 20, 2009, the Company filed a Demand for Arbitration (the “Demand”) with the American Arbitration Association in New York, NY against Garth James, the former owner of Corpus, Technologies, and the former majority shareholder of SOMRI. Together with the Demand, a Statement of Claim was filed whereby the Company is seeking to recover damages from Mr. James based upon Breach of Contract, Fraud in the Inducement, Material Misrepresentations and Unjust Enrichment with respect to an Acquisition Agreement and the breach of an Employment Agreement. As of the date of this Quarterly Report, the Company is awaiting Mr. James response to the Statement of Claim. A response is due on or before November 23, 2009.

### **Notes Receivables**

On October 29, 2009, SOMRI filed an Original Petition and Request for Disclosures with the District Court in Dallas County, Texas against MRI Central – Little Rock, Inc. (“Little Rock”) and MRI Central – Lubbock, Inc. (“Lubbock”) seeking to recover monies loaned to both Little Rock and Lubbock through various promissory notes as early as February 2006. The principal amount owed to SOMRI is \$356,900. As of the date of this Quarterly Report, SOMRI is awaiting responses from both Little Rock and Lubbock and anticipates these responses to occur within fifty (50) days from the date of the petition filing.

### **Former Employee**

Mr. Jeff Brooks, a former employee of Corpus, alleges that on April 26, 2007, Mr. Garth James, Corpus’s former President and current shareholder, allegedly reached a tentative agreement with Mr. Brooks whereby Mr. Brooks would receive approximately \$150,000 for various compensation and reimbursement. During June 2007, Corpus and Mr. James rejected the tentative agreement. As such, Mr. Brooks is seeking to validate and enforce the agreement, additional damages of an undetermined amount, attorney’s fees and court costs, and pre-judgment and post-judgment interest. On September 29, 2009, the State of Texas Court of Appeals affirmed the trial court’s judgment that the alleged settlement is not enforceable and that Corpus would recover all costs of the appeal from Jeff Brooks.

### **Note Payable**

On August 21, 2008, Laurel Center Management Employee Profit Sharing Trust,, (“Laurel”), the holder of a promissory note from Corpus filed suit in the District Court of Dallas County, Texas against the Corpus and Mr. Garth James, the Corpus’s former President and shareholder, for Breach of Contract. The suit claims that Corpus failed to make the required quarterly payment on July 1, 2008 within the 15 day grace period and caused the promissory note to become default. As such, Laurel sent Corpus notice of

its intent to accelerate the promissory note, as called for in the default provisions, on August 6, 2008. Corpus failed to pay the amount owing and Laurel is seeking actual damages to be determined at trial, reasonable and necessary attorney's fees and court costs and pre-judgment and post-judgment interest at the highest lawful rates. As of September 30, 2009, there remains a summary judgment for the full amount of \$1,011,638.44 against Corpus and Mr. Garth James.

### **Lease**

On July 6, 2009, YPI 6688 NCX, LLC, ("Younan"), Corpus' former landlord, filed suit in the District Court of Dallas County, Texas against Corpus for Breach of its Lease Contract. Corpus entered into a six (6) year Lease Agreement with Younan on October 22, 2003. The suit states that Corpus had vacated the premises prior to the end of the lease term and failed to make payments due under the lease constituting a default and breach of the lease. On August 14, 2009, the District Court of Dallas Awarded Younan a judgment for the sum of \$188,593.30.

### **NOTE 5      SUBSEQUENT EVENTS**

On October 1, 2009, the Company executed an Engagement Agreement with M&K CPAS, PLLC ("M&K") in order to engage M&K to act as the Company's PCAOB certified auditing firm to perform an audit on the Company for the years ending December 31, 2007 and 2008. Additionally, M&K will review the Company's first three (3) quarters 2009 and assist the Company in its preparation and review of Company's Registration Statement required for the Company to be listed on Over the Counter Bulletin Board (OTCBB).

On October 6, 2009, the Board of Directors of Corpus determined that it is in the best interest of Corpus and stockholders to file a petition seeking relief under Chapter 7 of the Bankruptcy Code (the "Petition"). The Petition was filed with the United States Bankruptcy Court, Northern District of Texas, Dallas Division, on October 13, 2009.

On October 20, 2009, the Company filed a Demand for Arbitration (the "Demand") with the American Arbitration Association in New York, NY against Garth James, the former owner of Corpus, Technologies, and the former majority shareholder of SOMRI. Together with the Demand, a Statement of Claim was filed whereby the Company is seeking to recover damages from Mr. James based upon Breach of Contract, Fraud in the Inducement, Material Misrepresentations and Unjust Enrichment with respect to an Acquisition Agreement and the breach of an Employment Agreement. As of the date of this Quarterly Report, the Company is awaiting Mr. James response to the Statement of Claim. A response is due on or before November 23, 2009.

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