# EDGARpack™ Consolidated Filing Proof

| | |
|---|---|
| **Filing:** | 10-K |
| **CIK:** | 0001101865 |
| **Self-Regulatory Organization:** | NONE |

| File# | Type | Description |
|---|---|---|
| 1 | 10-K | 10K |
| 2 | EX-31.a | ex-31.a |
| 3 | EX-31.b | ex-31.b |
| 4 | EX-32.a | ex-32.a |
| 5 | EX-32.b | ex-32.b |

Note: This is not an official filing. It is a *Consolidated Proof* listing of the main document, exhibits, cover letter, correspondence and other attachments that are part of this filing.

# 1: 10K (10-K)

To Top

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

# FORM 10-K

**[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE FISCAL YEAR ENDED** DECEMBER 31, 2015

*COMMISSION FILE #333-30176*

# NET MEDICAL XPRESS SOLUTIONS, INC.

**(Formerly NEW MEXICO SOFTWARE, INC.)**
(Exact name of registrant as specified in its charter)

**NEVADA**
(State or other jurisdiction of incorporation or organization)

**91-1287406**
(I.R.S. Employer Identification No.)

**5021 INDIAN SCHOOL RD., SUITE 100**
**ALBUQUERQUE, NEW MEXICO 87110**
(Address of principal executive offices)(Zip code)

**(505) 255-1999**
(Issuer's telephone number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES [ ] NO [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES [ ] NO [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

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

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

**AGGREGATE MARKET VALUE OF THE VOTING COMMON STOCK HELD BY NON-AFFILIATES OF THE REGISTRANT ON JUNE 30, 2015 WAS:** $5,954,626

**THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON STOCK AT MARCH 16, 2016 WAS:** 174,622,470

**DOCUMENTS INCORPORATED BY REFERENCE**

None

## USE OF PRONOUNS AND OTHER WORDS

The pronouns “we”, “us”, “our” and the equivalent used in this annual report mean Net Medical Xpress Solutions, Inc. In the notes to our financial statements, the “Company” means Net Medical Xpress Solutions, Inc. The pronoun “you” means the reader of this annual report.

## FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that involve risks and uncertainties. We use words such as “project”, “believe”, “anticipate”, “plan”, “expect”, “estimate”, “intend”, “should”, “would”, “could”, or “may”, or other such words, verbs in the future tense and words and phrases that convey similar meaning and uncertainty of future events or outcomes to identify these forward-looking statements. There are a number of important factors beyond our control that could cause actual results to differ materially from the results anticipated by these forward-looking statements. While we make these forward-looking statements based on various factors and using numerous assumptions, you have no assurance the factors and assumptions will prove to be materially accurate when the events they anticipate actually occur in the future.

The forward-looking statements are based upon our beliefs and assumptions using information available at the time we make these statements. We caution you not to place undue reliance on our forward-looking statements as (i) these statements are neither predictions nor guaranties of future events or circumstances, and (ii) the assumptions, beliefs, expectations, forecasts and projections about future events may differ materially from actual results. We undertake no obligation to publicly update any forward-looking statement to reflect developments occurring after the date of this prospectus.

**TABLE OF CONTENTS**


| | |
|---|---|
| **PART I** | **1** |
| ITEM 1. DESCRIPTION OF BUSINESS | 1 |
| ITEM 1A. RISK FACTORS | 7 |
| ITEM 1B. UNRESOLVED STAFF COMMENTS | 9 |
| ITEM 2. DESCRIPTION OF PROPERTY | 9 |
| ITEM 3. LEGAL PROCEEDINGS | 9 |
| ITEM 4. MINE SAFETY DISCLOSURE | 9 |
| **PART II** | **10** |
| ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS | 10 |
| ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS | 11 |
| ITEM 8. FINANCIAL STATEMENTS | 19 |
| ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE | 20 |
| ITEM 9A. CONTROLS AND PROCEDURES | 20 |
| ITEM 9B. OTHER INFORMATION | 21 |
| **PART III** | **22** |
| ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, CONTROL PERSONS AND CORPORATE GOVERNANCE; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT | 22 |
| ITEM 11. EXECUTIVE COMPENSATION | 23 |
| ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT | 25 |
| ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE | 25 |
| ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES | 25 |
| ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES | 26 |
| **SIGNATURES** | **27** |

## PART I

### ITEM 1. DESCRIPTION OF BUSINESS

**Our History and Background**

Our business was incorporated in New Mexico in 1996 under the name of New Mexico Software, Inc. We were acquired by Raddatz Exploration, Inc., a publicly traded Delaware corporation, in 1999. At that time, Raddatz changed its name to NMXS.com, Inc., and operated New Mexico Software, Inc. as a wholly-owned subsidiary. On January 1, 2006, NMXS.com, Inc. merged into its newly incorporated, wholly-owned subsidiary, New Mexico Software, Inc., a Nevada corporation, for the sole purpose of changing its state of incorporation and its name. On January 1, 2013, we changed our name to Net Medical Xpress Solutions, Inc.

In May 2008, we created a wholly-owned subsidiary called Telerad Service, Inc. to provide teleradiological services. Beginning in January 2012, Telerad Service, Inc. has operated under the trade names Net Medical Xpress Services and Net Medical Xpress Specialists. Detailed descriptions of these divisions are provided in the "Our Business" section below.

On July 1, 2013, we purchased MedTel Solutions, LLC ("MedTel"), an Alabama limited liability company. MedTel was organized on June 13, 2012 for the purpose of engaging in the business of providing licensed medical practitioners to perform services via telemedicine. On November 1, 2014, MedTel Solutions, LLC was absorbed into Telerad Service, Inc. We now operate MedTel Solutions, LLC as Net Medical Xpress Staffing.

Our primary address on the World Wide Web is www.nmxs.com. We use several additional web addresses, including www.netmedical.com and www.nmxc.net, which broadcast the same information as www.nmxs.com. The information at that web site is not part of our annual report, and we specifically disclaim any liability under federal securities law related to the web site.

**Our Business**

We provide a broad range of telemedicine services, including telemedicine software-as-a-service, online diagnostic services, virtual specialist services, virtual primary care services, and recruitment of telemedicine physicians. We provide global, real-time, 24/7/365 access to top-quality physicians and telemedicine services via our secure internet-based software solutions, along with our growing group of contracted physicians.

We currently operate under four business units, each of which is also a reportable segment.

**Net Medical Xpress Solutions**

Our parent company, Net Medical Xpress Solutions (Solutions), primarily provides Picture Archiving and Communication System (PACs) hardware and software to hospitals and other medical facilities.

*Solutions Division Products and Services*

XR-EXpress is our flagship Picture Archiving and Communications System (PACS) software. XR-Express is compliant with the Health Insurance Accountability and Portability Act (HIPAA). We sell XR-Express to medical facilities and also provide it as a hosted "Software as a Service" (SaaS), where the customer is billed on a monthly basis according to usage. The SaaS option allows our customers to optimize their operations without investing significant time and money on upfront fixed costs for hardware, software, tech support and training.

XR-EXpress enables medical providers to examine multiple types of medical images over the Internet. The originating medical facility or service provider uploads medical images as high-resolution DICOM (digital imaging and communications in medicine) files to our secure servers. The DICOM files are tagged with patient information. The radiologist then accesses the images on our secure servers through his or her own computer and returns the diagnostic report to our secure server for access by the treating physician. XR-EXpress significantly reduces the time between the imaging events and report delivery. Our workflow technology provides scheduling, dispatching, monitoring and reporting functions, which boosts the customer's efficiency and productivity while enhancing patient care. Our average turn-around time for x-rays is approximately ten minutes, and for ultrasounds it is approximately twenty minutes.

In addition, XR-Express is the platform we use for our Net Medical Xpress Services and Net Medical Xpress Specialists business units. In the Specialists division, XR-Express enables a referring hospital to instantly transmit digital diagnostic images and reports to a consulting physician, providing a means for the consulting physician to aid the attending physician in applying the appropriate care. XR-EXpress is especially useful when the patient is located a substantial distance from an appropriate specialist physician, and transport decisions must be made quickly and effectively, while keeping costs down. XR-EXpress enables remote hospitals to more effectively utilize resources, make better triage and management decisions, and keep patients in their local facilities, thus saving money and facilitating superior patient care.

We also collaborated with the New Mexico Heart Institute (NMHI) to develop cardiology and vascular extensions to our XR-EXpress software. By working with the experts at NMHI, we have added comprehensive and customizable support for cardiology services, including visualization, automated data collection, measurement tools, and report writing. These software extensions now allow the system to support echocardiograms, stress echocardiograms, dobutamine stress tests, exercise stress tests, nuclear exams, upper and lower venous and arterial exams, carotid exams, renal artery exams, and vascular wellness screening. The extensions run onsite at NMHI and backup to Net Medical Xpress Solutions cloud servers.

*Solutions Customers and Competition*

Our customers in our Solutions division are chiefly mobile radiology companies that provide their own doctors and use our PACS system to provide their services to their customers.

There are other companies providing PACS systems similar to ours. Some of these companies also charge their customers on a per-usage basis as we do. However, the majority of PACS systems on the market still require considerable up-front investment in both monetary costs and training time, along with annual upgrades. We were among the industry leaders in offering a PACS system via the cloud, and we believe that our structure and pricing is still competitive.

**Net Medical Xpress Services**

Net Medical Xpress Services (Services) provides medical diagnostic reading services.

*Services Division Products and Services*

We provide physicians who specialize in diagnosing patient disorders via all types of studies: plain film, ultrasound, CT, MRI, EEG, echocardiogram, nuclear bone scan, EKG, and fluoroscopy. The studies are read and diagnosed within a web-based environment using our XR-EXpress software. There is no overhead impact, and data integrity, security and HIPAA compliance are maintained.

We provide radiology and cardiology diagnostic services 24 hours per day, seven days per week, and 365 days per year. We are able to provide either final or preliminary reports depending on the customer's need. Our operations team manages the workload for over 10,000 facilities on our system. Our response time averages fifteen minutes for plain film stats and eighteen minutes for most routine plain film exams.

*Services Division Customers and Competition*

Our customers in our Services division are primarily small and medium-sized mobile digital service providers, as well as some smaller medical centers and urgent care centers.

This sector of the telemedicine market has become exceptionally competitive over the last five years. We have observed increasingly intense downward pressure on prices during that time, even though margins for these services were already low when we entered the market. Profitability in this division depends on volume, but more and more customers are following the low prices rather than placing value on additional services such as quality assurance, customizable reports, and programming according to spec for individual customers.

**Net Medical Xpress Specialists**

Net Medical Xpress Specialists (Specialists) provides virtual specialist services to hospitals and other medical entities, and virtual primary care services to individual patients via our WebRTC conference switch described below.

*Specialists Division Products and Services*

The Specialists division provides a web-based clinical telemedicine solution that eliminates unnecessary transport of patients from one medical facility to another by facilitating the real-time assessment of patients through a virtual examination. It can save lives by reducing the time required to diagnose and treat patients.

Our initial services were in emergency room neurology and stroke evaluation. For potential stroke patients, the specialists program enables neurologists in major urban facilities to diagnose and treat stroke patients at remote medical service areas. Once the customer facility is ready, we usually can connect the neurologist and the patient within fifteen to thirty minutes for the initial evaluation. The high definition imaging and video system maintenance costs are part of the service and are maintained by us, minimizing costs for the customer. The specialists program provides patient care 24 hours per day, seven days per week, and 365 days per year.

During 2014, we also began providing virtual primary care services. Patients can access a primary care physician at any time, from anywhere, with any device that has an internet connection. Physicians are available within minutes, which eliminates drive time and wait time for the patients. Virtual primary care can be used for a variety of routine medical conditions, patient education, prescription renewal, and follow-up appointments, to name just a few possibilities. One of the issues with the current healthcare system is that patients do not always have prompt access to their primary care physicians when they have an acute but non-emergency situation such as an upper respiratory infection. The result is often that the patient will visit an urgent care or emergency facility for a situation that doesn't require that level of care. Virtual primary care can improve efficiency by increasing access and saving time for both patients and doctors, while still providing exceptional patient care.

At this time, we have physicians in our Specialists division credentialed to provide services for neurology/stroke evaluation, behavioral medicine, cardiology, critical care and primary care. We currently are marketing numerous other services within the specialist program.

We also have initiated a quality assurance program within the specialists division. Our radiologists will provide additional reads to support our specialists. For example, in addition to providing a neurologist for a stroke assessment, we also will have one of our radiologists read the patient's CT scan. This will provide an extra layer of confirmation and support for the neurologist's diagnosis. We are not aware of any other telemedicine company providing this service.

WebRTC Conference Switch: The WebRTC (real-time communications) video conferencing tool is an application that allows organizations to set up users, groups and subgroups with crystal clear, real time, face-to-face web-based connections significantly facilitating doctor-patient and hospital communications. It is web-based and HIPAA-compliant, so it can be used for confidential physician to patient communications. Although designed specifically for the healthcare industry, other types of companies and organizations can also use the system. We are using it in our Specialists division, and it also has been released on the Apple App Store and is ready for purchase by any organization.

*Specialists Division Customers and Competition*
The customers in our Specialists division are mainly hospitals that use our physicians for consults in the emergency rooms.

We are participating in a $15.1 million federal grant with the University of New Mexico Health Science Center to establish a statewide 30 hospital telemedicine network to support critical cerebral emergency support services. The grant was awarded by the Center for Medicare and Medicaid Services (CMS) to help CMS study the impact of providing telemedicine for critical care services in rural areas. The project calls for the university to form a statewide 30-hospital telehealth system (THS) in conjunction with Net Medical Xpress Solutions for a three-year period. The program will provide remote emergency neurological consultations using Net Medical's video conferencing equipment and telemedicine management services. The added goal of the model is to maintain patient care in the local facility without needing patient transport to tertiary care hospitals when non-operative care is appropriate.

There are several other companies offering specialists consultations at this time, but this market still has a great deal of room to grow. Our current strategy is to take advantage of this growth with the goal of being well-established by the time the market matures.

**Net Medical Xpress Staffing**
Net Medical Xpress Staffing (Staffing) specializes in the recruitment and staffing of physicians for telemedicine services.

*Staffing Division Products and Services*
We currently have a database of over 400 physicians in varying stages of contracting, credentialing, training and providing services with us. The majority of these physicians are primary care physicians.

Our staffing division recruits highly competent primary care physicians and specialists to meet the growing demand for telemedicine physicians. In addition, we will use this division to extend our internal medical staff. This will allow us to continue expanding and developing our range of services.

*Staffing Division Customers and Competition*
Our Staffing division customers are mainly companies providing virtual primary care services.

The Staffing division can serve the entire telemedicine market by providing physicians for any type of telemedicine services. The competitive advantage for this division is that as one market segment becomes saturated, we are able to shift focus to serve a different segment by recruiting different physicians. In addition, it is impossible for any telemedicine services company to sign new customers if they don’t have the doctors contracted and available. We believe that the pool of doctors we have already recruited gives us a distinct competitive advantage, especially given the shortage of doctors that market experts project will happen in the near future.

## Our Technology

Our technology is the key to our product differentiation. We engineer our products around a central core of unique Internet technology. This proprietary technology makes it possible to rapidly view, distribute and manage a variety of media files such as documents, graphic images, animation sequences, film clips, audio files, x-rays, other medical images and high-definition media streams.

The value of our core technology is that it provides maximum flexibility in the presentation of digital images to the customer, and integrates general browsing capabilities with specific search capabilities, along with the security of hierarchical access all in one product.

All of our products are accessed via the Internet. This means that the majority of our customers need only a PC with browser capability to be able to use our products. No additional expensive equipment, software or tech support is required, and training is accomplished smoothly and quickly. The customer's data is available 24 hours per day, so that the customer can work according to his or her own schedule with productivity available around the clock. Additionally, documents and images can be viewed from or distributed anywhere in the world at any time.

The only exception is the modest equipment purchase required for our customers using our virtual specialists services. We have designed our high-tech carts that are used in emergency rooms to provide the virtual specialist services at the very modest purchase price of a few thousand dollars, as compared to tens of thousands of dollars for similar products.

### Business Strategy

The healthcare situation in the U.S. is currently undergoing a number of shifts. The fastest growing segment of the population is people over 65 years of age. Obesity is still on the rise, and the diagnosis of chronic diseases continues to increase as well. If these facts are coupled with the projected shortage of healthcare personnel over the next couple of decades, it is apparent that our healthcare system will need to become considerably more effective and efficient. One of the resulting trends is the outsourcing of medical services, which is where we provide a valuable alternative.

We believe that telemedicine provides safe, effective services while reducing costs in a wide variety of medical applications, such as avoiding unnecessary patient transports, providing support for hospital overflows, providing increased services in remote or rural areas, providing services in jails and prisons, decreasing the length of some patient stays, providing increased home management of chronic diseases, providing improved post-discharge follow-up care to avoid unnecessary hospital readmissions, providing enhanced care in critical care or intensive care units and increasing access to specialized services. Digital diagnostics systems in particular have demonstrated significantly improved image quality over the last few years, while costs continue to decrease. By providing enhanced diagnostic capabilities with quick turn-around times, telemedicine can potentially increase patient safety and reduce costs for healthcare providers.

We expect that, given the current situation in healthcare, telemedicine is here to stay.

We are one of the few telemedicine companies that can provide the comprehensive range of services that we offer. We know of no other company that provides diagnostic reads in radiology and cardiology; virtual specialists - either emergency or scheduled; virtual primary care; location, recruitment and credentialing of telemedicine physicians; or just the use of our PACS system for companies that already have their own doctor groups.

Our current business strategy involves the following factors:

- Continue to emphasize the flexibility and affordability of our hosted applications. Our customers who prefer this service do not need extensive or expensive hardware, software or technology staff to use our products. Upfront fixed costs are minimized. Also, we are usually able to get new customers and doctors operational within days, sometimes within hours, including training.

- Expand our virtual primary care services by marketing to businesses and insurance companies. Virtual primary care services can augment existing high-deductible insurance plans while keeping costs low. They also can increase the efficiency of the doctors and provide access to patients who otherwise would have difficulty getting in to see a primary care physician in person. These services contribute to efficiency in the entire system by reducing demand on urgent care centers and emergency rooms for non-urgent issues.

- Continue to expand the specialists services we offer. We are continuing to expand our neurology and stroke assessment program into facilities across the country. We are marketing our virtual specialist programs for post-discharge follow-up care to help hospitals avoid unnecessary readmissions, behavioral medicine, cardiology, critical care, dermatology, and infectious diseases.

- Continue to expand our group of doctors.

- Market our WebRTC conference switch worldwide, using it as a gateway to the possibilities of telemedicine and our services.

- Continue to offer exceptionally prompt and thorough customer service, with outstanding quality through our Quality Assurance programs.

**Our Intellectual Properties**

We have several proprietary aspects to our software that we believe make our products unique and desirable in the marketplace. We believe the compiled object code that is accessible to our customers makes it difficult to discover the source code needed to create other similar programs, even though the code we use originates from Open Source. Because we maintain our enterprise source code on dedicated servers in our Albuquerque data center, it provides better protection and security of our products.

We have entered into confidentiality and non-disclosure agreements with our employees and contractors in order to limit access to, and disclosure of, our proprietary information. There is no assurance that these contractual arrangements or the other steps we have taken to protect our intellectual property will prove sufficient to prevent misappropriation of our technology or to deter independent third-party development of similar technologies.

Although we do not believe that we infringe the proprietary rights of third parties, there is no assurance that third parties will not claim infringement by us with respect to past, current, or future technologies. We expect that participants in our markets will be increasingly subject to infringement claims as the number of services and competitors in our industry grows. Any such claim, whether meritorious or not, could be time-consuming, result in costly litigation, cause service upgrade delays, or require us to enter into royalty or licensing agreements. Such royalty or licensing agreements may not be available on terms acceptable to us or at all. As a result, any such claim could have a material adverse effect upon our business, results of operations, and financial condition.

**Government Regulation**

Our operations, products, and services are all subject to regulations set forth by various federal, state and local regulatory agencies. We take measures to ensure our compliance with all such regulations as promulgated by these agencies from time to time.

The Health Insurance Portability and Accountability Act (HIPAA) imposes standards for the use, dissemination and disclosure of protected health information. Protected health information is any information about health status, provision of health care, or payment for health care that can be linked with an individual. The act applies to any company that transmits health care data. The act encourages the use of electronic transmission of data within the U.S. healthcare system, and provides three types of security safeguards that are required for compliance: administrative, physical and technical. For each of these types, HIPAA identifies various security standards which must be adopted and administered by any entity covered by the act. Our software strictly adheres to the privacy and security standards dictated by HIPAA.

There are currently few laws and regulations directly applicable to the Internet. It is possible that a number of laws and regulations may be adopted with respect to the Internet covering issues such as user privacy, pricing, content, copyrights, distribution, antitrust and characteristics and quality of products and services. The growth of the market for online commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies conducting business online. Tax authorities in a number of states are currently reviewing the appropriate tax treatment of companies engaged in online commerce, and new state tax regulations may subject us to additional state sales and income taxes.

**Employees**

At March 16, 2016, we had twenty two employees and independent contractors. We consider our relationship with our employees to be good. We also have over two hundred physicians on contract, including radiologists, cardiologists, neurologists, psychiatrists and primary care physicians.

**ITEM 1A. RISK FACTORS**

**A small number of customers represent a large amount of our revenues and the loss of such customers will result in a significant decrease in revenues and threaten our ongoing operations.**

During the year ended December 31, 2015, two customers accounted for 30% of the Company’s total revenue. During the year ended December 31, 2014, one customer accounted for 25% of the Company's total revenue. The loss of such customers would result in a significant decrease in our revenues and our working capital.

**Our business depends on a limited number of key personnel, the loss of whom could negatively affect us.**

Richard F. Govatski and Teresa B. Dickey, our senior executives and major stockholders, are important to our success. If they become unable or unwilling to continue in their present positions, our business and financial results could be materially negatively affected.

**If we fail to adequately manage our growth, we may not be successful in growing our business and becoming profitable.**

We expect our business and number of employees to continue to grow over the next twelve months, particularly as Net Medical Xpress Specialists continues to add new customers. Our growth may place significant stress on our operations, management, employee base, and particularly on our ability to meet capital requirements necessary to support our growth. Any failure to address the needs of our growing business successfully could have a negative impact on our chance of success.

**Our occasional reliance on issuances of shares of our common stock for services performed for us in lieu of paying for such services will result in dilution of your ownership percentage and could depress the market.**

Occasionally, we have paid for services by issuing shares of our common stock, in lieu of paying cash, to our employees and other service providers. We may find it necessary to continue this practice from time to time. In the event we issue stock for services in the future, the issuance of such shares will result in the dilution of your investment in us.

**Our ability to grow our medical services in order to continue to be profitable depends on our ability to contract with qualified medical specialists. Inability to locate and attract licensed and qualified providers, or the loss of those under contract, could have a material negative impact on our future growth and profitability.**

The current market for highly qualified medical specialists is competitive, with potential decreases in the coming years. If we are unable to locate and attract licensed and qualified medical specialists, we could have difficulty growing, or maintaining our medical services business, which would negatively impact our revenues and operations, as well as reducing our opportunities for becoming profitable.

**The current telemedicine and teleradiology markets are competitive, and they are projected to become significantly more competitive in the next few years, which may make it difficult to attract and retain customers.**

The markets for telemedicine in general and teleradiology in particular are exceptionally competitive and volatile at this time, and potential government intervention in the form of health care reform may increase these factors. In addition, the technology used in these industries is rapidly changing. If we are not able to continually adapt to the changing market conditions, we may experience difficulties attracting and retaining customers, which could have a materially adverse effect on our revenues and operations.

**Continued net losses may negatively impact our ability to continue operations at our current level.**

We have incurred cumulative net losses of approximately $15,642,000 since our inception in 1996. At this time, our revenues are adequate to meet our operating needs; however, we may require additional capital for our contemplated operational and marketing activities to take place. The amount of any additional capital required would depend on our current income and our future plans, but could range from $100,000 to $1,000,000. Our ability to raise additional capital through the future issuances of the common stock is unknown. The obtainment of additional financing, the successful development of our contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for us to continue operations. The ability to successfully resolve these factors raise substantial doubt about our ability to continue as a going concern.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

We do not have any unresolved staff comments.

## ITEM 2. DESCRIPTION OF PROPERTY

We currently lease a 5,000 square foot facility in Albuquerque, New Mexico, at a cost of approximately $6,800 per month. The lease expires on January 31, 2017. The facility houses our administrative, marketing and engineering offices, and provides adequate room for expansion. We house our primary servers in a separate facility downstairs from ours, at a cost of approximately $2,500 per month on a month-to-month basis. The two locations are networked together by fiber optics. In this facility we have access to a large power generator, which enables our servers to continue operating during power outages.

## ITEM 3. LEGAL PROCEEDINGS

We have no legal proceedings outside of normal business operations.

## ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

## PART II

## ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### Market Information

Our stock is quoted on the OTC Bulletin Board under the symbol "NMXS." The table below sets forth, for the periods indicated below, high and low bids for our common stock. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions. The source of this information is Big Charts: www.bigcharts.com.

| **Fiscal Year Ended December 31, 2014** | **Quarter** | **High** | **Low** |
|---|---|---|---|
| | First | $0.09 | $0.066 |
| | Second | $0.07 | $0.048 |
| | Third | $0.06 | $0.036 |
| | Fourth | $0.05 | $0.0158 |
| **Fiscal Year Ended December 31, 2015** | **Quarter** | **High** | **Low** |
| | First | $0.025 | $0.0165 |
| | Second | $0.044 | $0.015 |
| | Third | $0.052 | $0.028 |
| | Fourth | $0.044 | $0.021 |
| **Fiscal Year Ended December 31, 2016** | **Quarter** | **High** | **Low** |
| (Through March 18, 2016) | First | $0.029 | $0.0249 |

### Recent Sales of Unregistered Securities

No unregistered shares were issued during 2015.

### Shareholders

As of March 19, 2016, there were 385 holders of record of our common shares.

### Dividends

We did not declare any cash dividends on our common stock during the year ended December 31, 2015. We have no plans to pay any dividends to the holders of our common stock in 2016.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and Notes thereto included elsewhere in this Form 10-K.

RESULTS OF OPERATIONS

REVENUES:

*For the Year Ended December 31,*

| 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|
| $4,222,000 | $4,583,000 | $(361,000) | (7.9)% |

These changes are a result of the following factors:

Net Medical Xpress Solutions

1. Software usage fees:

*For the Year Ended December 31,*

| 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|
| $201,000 | $340,000 | $(139,000) | (40.9)% |

The decrease in software usage fees during 2015 as compared to 2014 is primarily due to the loss of several radiological customers that use our PACS system. We believe these losses are due to the increased competition, especially as it relates to price competitiveness, in the current teleradiology market. We do not anticipate that the revenues in this category will change significantly during 2016.

2. Software hosting and maintenance:

*For the Year Ended December 31,*

| 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|
| $74,000 | $56,000 | $18,000 | 32.1% |

This increase is due to additional post-contract data access fees for a customer that terminated during 2015. At this point, nearly all of our customers are using our medically related services, which are priced via usage fees per transaction rather than via monthly hosting or maintenance fees. Software maintenance consists mainly of hosting and managing our customers' data on our systems and to a lesser extent includes technical support programs associated with XR-Express usage. We expect revenues in this category to be stable during the coming year, as we continue to focus our efforts on building our medical division.

3. Custom programming:

*For the Year Ended December 31,*

| 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|
| $24,000 | $0 | $24,000 | Not meaningful |

We had several small programming projects during 2015 and none during 2014. We anticipate undertaking a few small and medium-sized projects that will continue to generate modest revenues in this category during 2016. We continue to offer programming services for customer database integration and for other projects for our existing and new customers.

4. Other revenues:

*For the Year Ended December 31,*

| 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|
| $2,000 | $1,000 | $1,000 | 100.0% |

This category consists of miscellaneous small hardware sales and bandwidth charges during the year ended December 31, 2014, as compared to miscellaneous small hardware sales and finance charges on customer accounts during the year ended December 31, 2015. Since these are ancillary services, we expect these revenues to remain minimal during 2016.

Net Medical Xpress Services

1. Radiological services:

*For the Year Ended December 31,*

| 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|
| $2,354,000 | $3,350,000 | $(996,000) | (29.7)% |

The decrease in radiological services revenues during 2015 as compared to 2014 is due to three factors: approximately 41% is due to the loss of two customers during the second half of 2014; approximately 49% is due to the loss of one large customer during 2015; the remainder is due to decreased volume of reads from other existing customers. We anticipate that revenues will remain stable or decrease slightly during 2016, due in part to the loss of the two customers, and in part because we are focusing our efforts on growing the specialists program.

2. Cardiological services:

*For the Year Ended December 31,*

| 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|
| $73,000 | $128,000 | $(55,000) | (43.0)% |

The decrease in cardiological services during 2015 as compared to 2014 is due to two factors: approximately 29% is due to the loss of two customers during the second half of 2014; the remainder is due to the loss of one large customer during 2015. We anticipate that the revenues in this category will be stable or will increase modestly during 2016.

Net Medical Xpress Specialists

1. Specialist program neurology services:

*For the Year Ended December 31,*

| 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|
| $1,013,000 | $579,000 | $434,000 | 75.0% |

The increase in neurological services revenues is due to two factors: approximately 70% is due to the CMS grant with the University of New Mexico. In 2014, the Center for Medicare and Medicaid Services (CMS) approved a $15.1 million grant for the University of New Mexico, in conjunction with Net Medical Xpress, to establish a 30-hospital telehealth system in New Mexico over a three-year period. This project will help CMS study the impact of providing telemedicine for critical care services in rural areas. It will also help the participating hospitals to provide appropriate patient care in the local facility without needing patient transport to tertiary care hospitals by delivering critical cerebral emergency support services. Net Medical Xpress will continue to supply the hardware and the software to facilitate the virtual neurological consultations. Most of the remaining 30% of the increase is due to increased volume of consults by existing customers.

2. Specialist program primary care services:

*For the Year Ended December 31,*

| 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|
| $175,000 | $31,000 | $144,000 | 464.5% |

Primary care consultations is a service that we began offering in July 2014. The increase in revenues is due to the addition of new customers, as well as the increase in volume of consults as new customers from 2014 continue to ramp up their services and add new end users. We expect revenues in the category to continue to increase during 2016.

3. Specialist program hardware sales:

*For the Year Ended December 31,*

| 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|
| $174,000 | $14,000 | $160,000 | 1142.9% |

The increase in revenues in this category is a direct result of the grant described in neurological services above.

The specialist program hardware sales are sales of equipment required for a customer to begin using any of the specialists services except primary care services. (Primary care services require only a device with internet access and basic video capabilities.) In addition to continuing revenues related to the grant, we anticipate increasing our customer base by a moderate amount during 2015; therefore, we will likely see hardware sales remain steady during the coming year.

4. Behavioral medicine services:

*For the Year Ended December 31,*

| 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|
| $25,000 | $0 | $25,000 | 100.0% |

We began offering behavioral medicine services in April 2015. We expect revenues in this category to increase moderately during 2015.

Net Medical Xpress Staffing

1. Recruiting and staffing services:

*For the Year Ended December 31,*

| 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|
| $107,000 | $84,000 | $23,000 | 27.4% |

The increase in staffing service revenues is due to the addition of new customers. We began offering this service in July 2013, and have been steadily increasing our customer base since that time. We expect this category to continue increasing slowly and steadily during 2016.

DIRECT COSTS:

*For the Year Ended December 31,*

| 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|
| $3,055,000 | $3,765,000 | $(710,000) | (18.9)% |

Approximately 90% of the decrease in direct costs relates to reduced physician fees associated with the loss of several radiology customers during 2014 and 2015. The remaining decrease is due to the growth of the specialists division, which has higher gross profit margins than the services division.

In general, direct costs consist of doctor fees; recruiting, customer service and management fees; professional credentialing and professional liability insurance costs. The majority of these costs are doctor fees, which are directly related to revenues; however, the percentage of direct costs to revenues varies by division.

GENERAL AND ADMINISTRATIVE EXPENSES:

*For the Year Ended December 31,*

| 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|
| $887,000 | $1,068,000 | $(181,000) | (16.9)% |

The decrease in general and administrative expenses is primarily due to the reduction of administrative and sales staff during 2015. We expect these expenses to increase slightly during 2016 as we increase marketing expenditures and replace a portion of the administrative staff.

RESEARCH AND DEVELOPMENT COSTS:

*For the Year Ended December 31,*

| 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|
| $100,000 | $121,000 | $(21,000) | (17.4)% |

Approximately 86% of our research and development costs were directly associated with staffing during 2015. The decrease in costs for 2015 as compared to 2014 is due to a reduction in engineering personnel during 2015. In the software industry it is common for research and development costs to be ongoing, since development of the next version of the software begins as soon as the current version is completed. In addition, we are constantly developing new applications for our existing software that require modification. Management anticipates that research and development costs in the future will focus both

on the upgrading of our existing products and the continued development of new products using our core technology; therefore they will remain relatively stable or perhaps increase slightly during the coming year.

DEPRECIATION AND BAD DEBT EXPENSE:

*For the Year Ended December 31,*

| | 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|---|
| Depreciation expense | $12,000 | $15,000 | $(3,000) | (20.0)% |
| Bad debt expense | $8,000 | $80,000 | $72,000 | (90.0)% |

The decrease in depreciation expense during 2015 as compared to 2014 is due to assets reaching full depreciation, coupled with no significant purchases of fixed assets. We wrote off the remaining balances of the two accounts associated with the lawsuit discussed in Section II below to bad debt during 2014. Although we fully anticipate a judgment in our favor, there is no guarantee that we will be able to collect the balances owed.

OTHER INCOME (EXPENSE):

*For the Year Ended December 31,*

| | 2015 | 2014 | Increase (Decrease) | Percent Inc (Dec) |
|---|---|---|---|---|
| Interest expense | $9,000 | $16,000 | $(7,000) | (43.8)% |

The decrease in interest expense is due to the late payment of payroll taxes related to the purchase of MedTel Solutions, LLC during 2013, which resulted in increased interest payments during 2014.

## REPORTABLE SEGMENTS

We have identified our reportable segments based on separate lines of business. Our parent company, Net Medical Xpress Solutions, derives revenues from the development and marketing of proprietary internet technology-based software. Our wholly-owned subsidiary Telerad Service, Inc., operates under the trade names Net Medical Xpress Services, Net Medical Xpress Specialists and Net Medical Xpress Staffing. Net Medical Xpress Services provides medical diagnostic reading services. Net Medical Xpress Specialists provides telemedicine services to hospitals and other medical entities. Net Medical Xpress Staffing locates and recruits physicians to provide telemedicine services.

Gross profit is our key indicator of operating progress. Our operating divisions generated the following gross profit percentages during 2015:

| | Services | Specialists | Solutions | Staffing | TOTAL |
|---|---|---|---|---|---|
| Revenue | $ 2,427,000 | $ 1,387,000 | $ 301,000 | $ 107,000 | $ 4,222,000 |
| Direct costs | 2,010,000 | 881,000 | 151,000 | 13,000 | 3,055,000 |
| Gross profit | $ 417,000 | $ 506,000 | $ 150,000 | $ 94,000 | $ 1,167,000 |
| Percent | 17.2% | 36.5% | 49.8% | 87.9% | 27.6% |

Net Medical Xpress Services generated a gross profit percentage of 17.2% during 2015 as compared to 21.3% during 2014. Approximately 80% of the cost of services for Net Medical Xpress Services is doctor fees, which vary directly with revenues. Teleradiology is becoming increasingly competitive, with many vendors in the market. We have seen downward pressure on prices for the last few years as a result. Because of this trend, coupled with already low profit margins, we are primarily focusing our efforts on continuing to expand the specialists division.

Net Medical Xpress Specialists generated a gross profit percentage of 36.5% during 2015, as compared to 15.9% during 2014. This program began operations during the first quarter of 2012, with revenues increasing year over year since that time. As a result, the ratio of direct variable costs to direct fixed costs has increased, with the gross profit percentage increasing every year accordingly. We believe that the gross profit percentage of this division will continue to increase slightly during 2016 as the revenues increase while the fixed costs remain stable at approximately $60,000 per quarter.

Net Medical Xpress Solutions generated a gross profit percentage of 49.8% during 2015 as compared to 22.7% during 2014, and 48.6% during 2013. This increase in gross profit percentage during 2015 was actually a return to our normal gross profit after incurring significant costs associated with engineering time spent on FDA audit compliance during 2014. The audit was concluded during 2014, therefore the gross profit percentage for 2015 has returned to levels comparable to prior years.

Net Medical Xpress Staffing generated a gross profit percentage of 87.9% during 2015, as compared to (86.9)% during 2014. We hired additional personnel to provide enhanced recruiting functions during the second half of 2013 and 2014. These additional staffing costs were the primary reason for the decrease in gross profit percentage during 2014. During the fourth quarter of 2014, we merged MedTel Solutions, LLC into Telerad Service, Inc. and reduced the number of personnel in the division. Consequently, fixed costs decreased at the same time that revenues increased during 2015, producing improved gross profit percentages. We expect the gross profit for 2016 to decrease slightly compared to 2015.

Our normal general and administrative expenses were approximately $225,000 per quarter during 2015. We anticipate that these expenses will be in the range of $240,000 to $275,000 per quarter during 2016.

Operating information related to our reportable segments for the year ended December 31, 2015 is as follows:

| | Services | Specialists | Solutions | Staffing | TOTAL |
|---|---|---|---|---|---|
| Revenue | $2,427,000 | $1,387,000 | $301,000 | $107,000 | $4,222,000 |
| Cost of Service | 2,010,000 | 881,000 | 151,000 | 13,000 | 3,055,000 |
| General & administrative | 367,000 | 203,000 | 212,000 | 105,000 | 887,000 |
| Depreciation | 2,000 | 0 | 10,000 | 0 | 12,000 |
| Research & development | 1,000 | 49,000 | 50,000 | 0 | 100,000 |
| Bad debt | 7,000 | 0 | 1,000 | 0 | 8,000 |
| Operating Income (loss) | $40,000 | $254,000 | $(123,000) | $(11,000) | $160,000 |
| Total assets | $429,000 | $202,000 | $305,000 | $265,000 | $1,201,000 |

A reconciliation of the segments' operating income to the consolidated net income is as follows:

| | | |
|---|---|---|
| Segment’s operating income | $ | 160,000 |
| Other income (expense) | | (9,000) |
| Consolidated net income | $ | 151,000 |

Operating information related to our reportable segments for the year ended December 31, 2014 is as follows:

| | Services | Specialists | Solutions | Staffing | TOTAL |
|---|---|---|---|---|---|
| Revenue | $3,478,000 | $624,000 | $397,000 | $84,000 | $4,583,000 |
| Cost of Service | 2,736,000 | 565,000 | 307,000 | 157,000 | 3,765,000 |
| General & administrative | 367,000 | 312,000 | 208,000 | 181,000 | 1,068,000 |
| Depreciation | 4,000 | 0 | 10,000 | 1,000 | 15,000 |
| Research & development | 0 | 118,000 | 3,000 | 0 | 121,000 |
| Bad debt | 80,000 | 0 | 0 | 0 | 80,000 |
| Operating Income (loss) | $291,000 | $(371,000) | $(131,000) | $(255,000) | $(466,000) |
| Total assets | $732,000 | $114,000 | $141,000 | $252,000 | $1,239,000 |

A reconciliation of the segments' operating income to the consolidated net income is as follows:

| | | |
|---|---|---|
| Segment’s operating income | $ | (466,000) |
| Other income (expense) | | (16,000) |
| Consolidated net income | $ | (482,000) |

LIQUIDITY AND CAPITAL RESOURCES

“Liquidity” refers to our ability to generate adequate amounts of cash to meet our needs for cash. We believe we will have adequate liquidity to maintain current operations during 2016, but we may choose to locate additional sources of cash to facilitate growth and expansion.

We do not currently have material commitments for capital expenditures and do not anticipate entering into any such commitments during the next twelve months. Our current commitments consist primarily of lease obligations for office space, computer equipment and office equipment.

At December 31, 2015, we had a working capital surplus of $333,000 as opposed to a working capital surplus of $40,000 at the beginning of the period, an increase of $293,000. This increase is due to a combination of factors. The primary factors are: an increase of $133,000 in available cash, a decrease in accounts receivable of $152,000, and a decrease in accounts payable of $339,000. We may continue to sell equity securities and incur debt if needed to meet our operating needs and facilitate growth and expansion of our services during 2016.

We anticipate that our primary uses of cash in the next year will continue to be for general operating purposes and to facilitate growth and expansion by establishing a sales and marketing program. We anticipate our operating cash requirements for the next twelve months to be in the range of $5,000,000 to $7,000,000. Profitability remains our primary goal.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States requires our management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As such, in accordance with the use of accounting principles generally accepted in the United States of America, our actual realized results may differ from management's initial estimates as reported. A summary of our significant accounting policies is detailed in the notes to the financial statements, which are an integral component of this filing.

***Revenue Recognition***

With each sale of our enterprise-level products, the end user enters into a license agreement for which an initial license fee is paid. The license agreement also provides that in order to continue the license, the licensee must pay an annual software maintenance fee for which the party receives access to product upgrades and bug fixes or product patches. Software maintenance consists primarily of hosting and managing our customers' data on our servers, as well as technical support programs for our products. Software usage comprises any charges for actual usage of our software.

Currently, software usage consists of XR-EXpress report fees.

Our software recognition policies are in accordance with the ASC Topic 985, *Software Revenue Recognition as amended*. Revenue is recognized when (a) persuasive evidence of an arrangement exists, (b) delivery has occurred, (c) the fee is fixed or determinable, and (d) collectability is probable. We follow the guidance in ASC Topic 605, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* for custom software development arrangements that require us to provide significant production, customization or modification to our core software. Revenue is generally recognized for such arrangements under the percentage of completion method. Amounts collected prior to satisfying the above revenue recognition criteria are included in deferred revenue.

We follow the guidance provided by SEC Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements* and SAB No. 104 *Revenue Recognition* which provide guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. Revenue from radiological services, software installation, training and consulting services is recognized when the services are rendered.

***Software Development Costs***

We account for software development costs in accordance with ASC Topic 985, *Accounting for Costs of Computer Software to be Sold, Leased, or Otherwise Marketed.* Product research and development expenses consist primarily of personnel, outside consulting and related expenses for development, and systems personnel and consultants and are charged to operations as incurred until technological feasibility is established. We consider technological feasibility to be established when all planning, designing, coding and testing have been completed to design specifications. After technological feasibility is established, costs are capitalized. Historically, product development has been substantially completed with the establishment of technological feasibility and, accordingly, no costs have been capitalized.

See Note B to our Consolidated Financial Statements for a full discussion of our critical accounting policies and estimates.

## ITEM 8. FINANCIAL STATEMENTS

*Index to Consolidated Financial Statements*


| | |
|---|---|
| Report of Independent Registered Public Accounting Firm | F-1 |
| Consolidated Balance Sheets | F-2 |
| Consolidated Statements of Operations | F-3 |
| Consolidated Statements of Cash Flows | F-4 |
| Consolidated Statements of Stockholders' Equity | F-5 |
| Notes to Consolidated Financial Statements | F-6 |

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Net Medical Express Solutions, Inc.

We have audited the accompanying consolidated balance sheets of Net Medical Express Solutions, Inc (the Company) as of December 31, 2015 and 2014 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the two-year period ended, December 31, 2015. Net Medical Express Solutions, Inc's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Net Medical Express Solutions, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note C to the consolidated financial statements, the Company has suffered losses from operations, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note C. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

RBSM, LLP
March 25, 2016
Henderson, Nevada

**Net Medical Xpress Solutions, Inc.**
**Consolidated Balance Sheets**
**(Rounded to the nearest thousand)**

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and equivalents | $ 410,000 | $ 277,000 |
| Accounts receivable, net of allowance of $28,000 and $29,000, respectively | 429,000 | 581,000 |
| Inventory | 27,000 | 33,000 |
| Prepaid expenses and other assets | 76,000 | 65,000 |
| Total current assets | 942,000 | 956,000 |
| Furniture, equipment and improvements, net of accumulated depreciation of $694,000 and $670,000, respectively | 16,000 | 40,000 |
| Security deposits | 4,000 | 4,000 |
| Goodwill | 239,000 | 239,000 |
| **Total Assets** | $ 1,201,000 | $ 1,239,000 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 439,000 | $ 764,000 |
| Line of credit | 6,000 | 20,000 |
| Accrued expenses | 52,000 | 40,000 |
| Insurance payable | 40,000 | 30,000 |
| Deferred revenue | 9,000 | 3,000 |
| Capital lease | 8,000 | 8,000 |
| Note payable - related party | 55,000 | 53,000 |
| Total current liabilities | 609,000 | 918,000 |
| Long-term liabilities | | |
| Capital lease - long-term portion | 1,000 | 9,000 |
| Total long-term liabilities | 1,000 | 9,000 |
| Total liabilities | 610,000 | 927,000 |
| Stockholders' equity: | | |
| Preferred stock, $0.001 par value, 500,000 shares authorized, 0 shares issued and outstanding as of 12/31/15 and 12/31/14, respectively | - | - |
| Common stock, $0.001 par value, 200,000,000 shares authorized, 174,622,470 and 174,622,470 shares issued and outstanding as of 12/31/15 and 12/31/14, respectively | 175,000 | 175,000 |
| Paid-in capital | 16,037,000 | 16,037,000 |
| Subscriptions payable | 21,000 | 21,000 |
| Deferred compensation | - | (128,000) |
| Accumulated deficit | (15,642,000) | (15,793,000) |
| Total stockholders' equity | 591,000 | 312,000 |
| **Total Liabilities and Stockholders' Equity** | $ 1,201,000 | $ 1,239,000 |

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

**Net Medical Xpress Solutions, Inc.**
**Consolidated Statements of Operations**
**(Rounded to the nearest thousand)**

| | For the year ended December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Revenues | | |
| Net Medical Xpress Services | $ 2,427,000 | $ 3,478,000 |
| Net Medical Xpress Specialists | 1,387,000 | 624,000 |
| Net Medical Xpress Solutions | 301,000 | 397,000 |
| Net Medical Xpress Staffing | 107,000 | 84,000 |
| Gross revenues | 4,222,000 | 4,583,000 |
| Direct Costs | 3,055,000 | 3,765,000 |
| Gross profit | 1,167,000 | 818,000 |
| Operating costs and expenses: | | |
| General and administrative | 887,000 | 1,068,000 |
| Depreciation and amortization | 12,000 | 15,000 |
| Research and development | 100,000 | 121,000 |
| Bad debt | 8,000 | 80,000 |
| Total operating costs and expenses | 1,007,000 | 1,284,000 |
| Net operating income (loss) | 160,000 | (466,000) |
| Other expense: | | |
| Interest expense | (9,000) | (16,000) |
| Total other expense | (9,000) | (16,000) |
| Net income (loss) | $ 151,000 | $ (482,000) |
| Income (loss) per share - basic | $ 0.00 | $ (0.00) |
| Income (loss) per share - diluted | $ 0.00 | $ (0.00) |
| Basic weighted average common shares outstanding | 174,722,470 | 159,850,116 |
| Diluted weighted average common shares outstanding | 183,985,139 | 164,222,287 |

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

**Net Medical Xpress Solutions, Inc.**
**Consolidated Statements of Cash Flows**
**(Rounded to the nearest thousand)**

| | For the year ended December 31, | |
|---|---|---|
| | 2015 | 2014 |
| **Cash flows from operating activities** | | |
| Net income (loss) | $ 151,000 | $ (482,000) |
| Adjustments to reconcile net income (loss) to net cash used by operating activities: | | |
| Share-based compensation for services | 20,000 | 70,000 |
| Share-based compensation for services to board members and officers | 108,000 | 108,000 |
| Depreciation and amortization | 12,000 | 15,000 |
| Depreciation and amortization allocated to direct costs | 12,000 | 12,000 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 152,000 | 25,000 |
| Inventory | 6,000 | (31,000) |
| Prepaid expenses and other assets | (11,000) | 1,000 |
| Accounts payable | (339,000) | 108,000 |
| Accrued expenses | 14,000 | (18,000) |
| Deferred revenue | 6,000 | 1,000 |
| Net cash provided (used) by operating activities | 131,000 | (191,000) |
| **Cash flows from investing activities** | | |
| Acquisition of fixed assets | - | (9,000) |
| Net cash used by investing activities | - | (9,000) |
| **Cash flows from financing activities** | | |
| Net repayment of principal under capital lease | (8,000) | (1,000) |
| Net proceeds from insurance financing | 164,000 | 159,000 |
| Net payments to insurance financing | (154,000) | (147,000) |
| Net proceeds from the issuance of common stock for the exercise of options | - | 45,000 |
| Net cash provided by financing activities | 2,000 | 56,000 |
| Net increase in cash equivalents | 133,000 | (144,000) |
| Cash equivalents - beginning | 277,000 | 421,000 |
| Cash equivalents - ending | $ 410,000 | $ 277,000 |
| Supplemental disclosures: | | |
| Interest paid | $ - | $ 13,000 |
| Tax paid | $ - | $ - |
| Shares issued for exercise of options | $ - | $ 45,000 |
| Insurance contracts financed | $ 164,000 | $ 45,000 |
| Assets acquired under capital lease | $ - | $ 8,000 |

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

**Net Medical Xpress Solutions, Inc.**
**Consolidated Statement of Stockholders' Equity**
**(Rounded to the nearest thousand)**

| | Preferred Stock | | Common Stock | | Additional Paid-in | Deferred | Subscriptions | Accumulated | Total Stockholders' |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital | Compensation | Payable | (Deficit) | Equity |
| Balance, December 31, 2013 | - | $ - | 160,322,470 | $ 160,000 | $ 15,466,000 | $ (40,000) | $ 296,000 | $ (15,311,000) | $ 571,000 |
| Issuance of common stock for the purchase of MedTel Solutions, LLC | - | - | 3,000,000 | 3,000 | 272,000 | - | (275,000) | - | - |
| Issuance of common stock for options exercised | - | - | 1,500,000 | 2,000 | 43,000 | - | - | - | 45,000 |
| Issuance of common stock to contractors for services | - | - | 1,800,000 | 2,000 | 48,000 | - | - | - | 50,000 |
| Issuance of common stock to officers for services | - | - | 2,000,000 | 2,000 | 52,000 | - | - | - | 54,000 |
| Issuance of common stock to outside board members for services | - | - | 2,000,000 | 2,000 | 52,000 | - | - | - | 54,000 |
| Issuance of common stock to officers for future services | - | - | 2,000,000 | 2,000 | 52,000 | (54,000) | - | - | - |
| Issuance of common stock to outside board members for future services | - | - | 2,000,000 | 2,000 | 52,000 | (54,000) | - | - | - |
| Compensation earned by contractors | - | - | - | - | - | 20,000 | - | - | 20,000 |
| Net loss For the year ended December 31, 2014 | - | - | - | - | - | - | - | (482,000) | (482,000) |
| Balance, December 31, 2014 | - | - | 174,622,470 | 175,000 | 16,037,000 | (128,000) | 21,000 | (15,793,000) | 312,000 |
| Compensation earned by officers | - | - | - | - | - | 54,000 | - | - | 54,000 |
| Compensation earned by outside board members | - | - | - | - | - | 54,000 | - | - | 54,000 |
| Compensation earned by contractors | - | - | - | - | - | 20,000 | - | - | 20,000 |
| Net income For the year ended December 31, 2015 | - | - | - | - | - | - | - | 151,000 | 151,000 |
| Balance, December 31, 2015 | - | - | 174,622,470 | 175,000 | 16,037,000 | - | 21,000 | (15,642,000) | 591,000 |

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

## NOTE A - ORGANIZATION AND OPERATIONS

**Description of Business:**
The parent company, Net Medical Xpress Solutions, Inc., derives revenues from the development and marketing of proprietary internet technology-based software. This division encompasses all revenues and costs from the software aspect of the business, including software usage, software hosting and maintenance, custom programming (customization or modification to the Company's core software products). The Company also occasionally derives revenue from scanning services and other services such as consulting, training and installation, which would be included in this division.

The Company's wholly-owned subsidiary, Telerad Service, Inc., operates under the trade names Net Medical Xpress Services, Net Medical Xpress Specialists, and Net Medical Xpress Staffing. Net Medical Xpress Services provides medical diagnostic reading services. All revenues and costs from radiological and cardiological services are included in this division.

Net Medical Xpress Specialists is the clinical division that provides telemedicine services to hospitals and other medical services providers. The Company currently employs credentialed specialists in the field of neurology, cardiology and critical care in this division. The Company facilitates real-time assessment of patients through a virtual examination via video conferencing combined with its medical software. Currently, all revenues and costs for neurology/stroke assessment and behavioral medicine assessments are included in this division, as well as revenues and costs for equipment necessary for the customer to initiate the specialist program.

Net Medical Xpress Staffing is the division that locates and recruits physicians to provide telemedicine services. Revenues and costs for the recruitment of telemedicine physicians are included in this division.

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of Consolidation:**
The accompanying consolidated financial statements include the accounts Net Medical Xpress Solutions, Inc. and its wholly-owned subsidiary, Telerad Service, Inc. Intercompany transactions and balances have been eliminated in consolidation.

**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 estimates and assumptions that affect the amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents:**
The Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2015, the Company did not have cash and equivalents that exceeded federally insured limits.

**Trade Accounts Receivable:**
The Company extends unsecured credit to customers under normal trade agreements which generally require payment within 30 - 45 days. Accounts not paid within 15 days after their original due date are considered delinquent. Unless specified by the customer, payments are applied to the oldest unpaid invoice. Accounts receivable are presented at the amount billed.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Trade Accounts Receivable, continued:**
The Company also estimates an allowance for doubtful accounts, which amounted to $28,000 and $29,000 at December 31, 2015 and 2014, respectively. The estimate is based upon management's review of all accounts and an assessment of the Company's historical evidence of collections. Specific accounts are charged directly to the reserve when management obtains evidence of a customer's insolvency. Charge-offs, net of recoveries, for the years ended December 31, 2015 and 2014 totaled $8,000 and $80,000, respectively.

**Property and Equipment:**
Property and equipment are stated at cost. Major renewals and improvements are charged to the asset accounts while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed. At the time property and equipment are retired or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales are credited or charged to income.

Depreciation is computed on the straight-line and accelerated methods for financial reporting and income tax reporting purposes based upon the following estimated useful lives:

| | |
|---|---|
| Software development | 3 years |
| Equipment | 5 years |
| Computer hardware | 5 years |
| Office furniture | 7 years |

**Long-Lived Assets:**
The Company accounts for its long-lived assets in accordance with Accounting Standards Codification ("ASC") Topic 360-10-05, "Accounting for the Impairment or Disposal of Long-Lived Assets." ASC Topic 360-10-05 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value. The Company determined that none of its long-term assets at December 31, 2015 or 2014 were impaired.

**Stock-Based Compensation:**
The Company accounts for stock-based payments to employees in accordance with ASC 718, "Stock Compensation" ("ASC 718"). Stock-based payments to employees include grants of stock, grants of stock options and issuance of warrants that are recognized in the consolidated statement of operations based on their fair values at the date of grant.

The Company accounts for stock-based payments to non-employees in accordance with ASC 505-50, "Equity-Based Payments to Non-Employees." Stock-based payments to non-employees include grants of stock, grants of stock options and issuances of warrants that are recognized in the consolidated statement of operations based on the value of the vested portion of the award over the requisite service period as measured at its then-current fair value as of each financial reporting date.

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Stock-Based Compensation, continued:**
The Company calculates the fair value of option grants and warrant issuances utilizing the Binomial pricing model. The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. ASC 718 requires forfeitures to be estimated at the time stock options are granted and warrants are issued to employees and non-employees, and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The term "forfeitures" is distinct from "cancellations" or "expirations" and represents only the unvested portion of the surrendered stock option or warrant. The Company estimates forfeiture rates for all unvested awards when calculating the expense for the period. In estimating the forfeiture rate, the Company monitors both stock option and warrant exercises as well as employee termination patterns. The resulting stock-based compensation expense for both employee and non-employee awards is generally recognized on a straight-line basis over the period in which the Company expects to receive the benefit, which is generally the vesting period.

During the years ended December 31, 2015 and 2014, the Company recognized stock-based compensation expense totaling $128,000 and $178,000, from the issuance of a total of 0 and 9,800,000 shares of its common stock to officers, directors, and consultants (See Note G).

**Income Taxes:**
The Company accounts for its income taxes under the provisions of ASC Topic 740, "Income Taxes." The method of accounting for income taxes under ASC 740 is an asset and liability method. The asset and liability method requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax bases and financial reporting bases of other assets and liabilities.

**Gain (Loss) per Share:**
The Company reports earnings (loss) per share in accordance with ASC Topic 260-10, "Earnings per Share." Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per 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.

**Revenue Recognition:**
The Company recognizes revenue in accordance with Statement of Position ASC Topic 985 *Software Revenue Recognition* as amended.

Revenue from proprietary software sales that does not require further commitment from the Company is recognized upon persuasive evidence of an arrangement as provided by agreements executed by both parties, delivery of the software, and determination that collection of a fixed or determinable fee is probable. These sales are generally direct purchases of a software product and there is no other involvement by the Company.

The Company offers with certain sales of its software products, software maintenance, upgrade and support arrangements. These contracts may be elements in a multiple-element arrangement or may be sold on a stand-alone basis. Revenues from maintenance and support services are recognized ratably on a straight-line basis over the term that the maintenance service is provided.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition, continued:**
The Company typically charges 17% to 21% of the software purchase price for a 12-month maintenance contract with discounts available for longer-term agreements. The complexity of the software determines the percentage that is charged to any individual customer, and that percentage remains consistent upon renewal unless there is a change in the software or the terms of the agreement.

Charges for hosting are likewise spread ratably over the term of the hosting agreement, with the typical hosting agreement having a term of 12 months, with renewal on an annual basis. The Company sells some hosting contracts in conjunction with the sale of software, and some hosting contracts without an associated software sale. When the hosting arrangement is sold in conjunction with a software sale, the Company allocates a portion of the fee to the software license. Hosting services do not require the customer to purchase the software license, and for those hosting contracts that are sold without an associated software sale, the customer has neither the right nor the ability to operate the software on its own.

Should the sale of software involve an arrangement with multiple elements (for example, the sale of a software license along with the sale of maintenance and support to be delivered over the contract period), the Company allocates revenue to each component of the arrangement using the residual value method based on the fair value of the undelivered elements. The Company defers revenue from the arrangement equivalent to the fair value of the undelivered elements and recognizes the remaining amount at the time of the delivery of the product or when all other revenue recognition criteria have been met. Fair values for the ongoing maintenance and support obligations are based upon separate sales of renewals of maintenance contracts. Fair value of services, such as training or consulting, is based upon separate sales of these services to other customers.

The Company follows the guidance in FASB ASC Topic 605, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts* for custom software development arrangements that require significant production, customization or modification to its core software. Revenue is generally recognized for such arrangements under the percentage-of-completion method. Under percentage-of-completion accounting, both the product license and custom software development revenue are recognized as work progresses based on specific milestones in accordance with FASB ASC Topic 450. The Company believes that project milestones based on completion of specific tasks provide the best approximation of progress toward the completion of the contract. At December 31, 2015 and December 31, 2014, there were no custom software development arrangements in progress.

The Company also occasionally derives revenue from the sale of third party hardware, which is billed as a separate deliverable under consulting or custom development contracts.

Revenue from diagnostic services, clinical consulting services, telemedicine recruiting services, software installation, and any training or miscellaneous consulting services is recognized when the services are rendered. These revenues include services that are separate from the functionality of the software. If these services are included in a software agreement with multiple elements, amounts are allocated to these categories based on the estimated number of hours required to complete the work, which is the same criteria used to bill for the services separately. License revenue is recognized ratably over the term of the license.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition, continued:**
Amounts collected prior to satisfying the above revenue recognition criteria are included in deferred revenue.

The application of ASC 605, as amended, requires judgment, including a determination that collectability is probable and the fee is fixed and determinable.

The Company follows the guidance provided by SEC Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements* and SAB No. 104, *Revenue Recognition*, which provide guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC.

Due to uncertainties inherent in the estimation process it is at least reasonably possible that completion costs for contracts in progress will be further revised in the near-term.

The cost of services, consisting of staff payroll, outside services, equipment rental, communication costs and supplies, is expensed as incurred.

**Research and Development Expenses:**
Costs of research and development activities are expensed as incurred.

**Advertising Expenses:**
The Company expenses advertising costs which consist primarily of direct mailings, promotional items and print media, as incurred. Advertising expenses amounted to $0 and $0 for the years ended December 31, 2015 and 2014, respectively.

**Fair Value of Financial Instruments:**
The Company adopted the Financial Accounting Standards Board (“FASB”) standard related to fair value measurement at inception. The standard defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and, accordingly, does not require any new fair value measurements. The standard clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The recorded values of long-term debt approximate their fair values, as interest approximates market rates. As a basis for considering such assumptions, the standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs other than quoted prices in active markets that are observable either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

## NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Fair Value of Financial Instruments, continued:**
The Company's financial instruments consist of cash, accounts receivable, inventory, prepaid expenses, leasehold improvements, property and equipment, deposits, other assets, accounts payable, accrued expenses, deferred revenue, capital leases and notes payable. The recorded values of cash, accounts receivable, inventory, prepaid expenses, and accounts payable approximate fair values due to the short maturities of such instruments. Recorded values for notes payable and related liabilities approximate fair values, since their stated or imputed interest rates are commensurate with prevailing market rates for similar obligations.

**Recent Pronouncements:**
The Company's management has reviewed recent accounting pronouncements issued through the date of the issuance of these financial statements. In management's opinion, no pronouncements apply or will have a material effect on the Company's financial statements.

## NOTE C - GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred cumulative net losses of approximately $15,642,000 since its inception and requires capital for its contemplated operational and marketing activities to take place. The Company's ability to raise additional capital through the future issuances of the common stock is unknown. The obtainment of additional financing, the successful development of the Company's contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations. The ability to successfully resolve these factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

## NOTE D - FURNITURE, EQUIPMENT, AND IMPROVEMENTS

Furniture, equipment, and improvements as of December 31, 2015 and 2014 consisted of the following:

| | 2015 | 2014 |
|---|---|---|
| Computers | $ 499,000 | $ 499,000 |
| Furniture, fixtures and equipment | 150,000 | 150,000 |
| Automobiles | 41,000 | 41,000 |
| Leasehold improvements | 20,000 | 20,000 |
| | 710,000 | 710,000 |
| Accumulated depreciation | (694,000) | (670,000) |
| | $ 16,000 | $ 40,000 |

Depreciation expense for the years ended December 31, 2015 and 2014 was $12,000 and $15,000, respectively.

## NOTE E - NOTES PAYABLE

**Notes Payable - Related Party:**
On March 1, 2011, the Company received a $2,000 loan from a director of the Company. This loan is non-interest bearing and is due on demand. On May 1, 2012, the Company received a $25,000 loan from a director of the Company. The loan bears interest at 7% per annum with principal and interest payable on or before April 30, 2015. On September 1, 2012, the Company received an $18,000 loan from a director of the Company. The loan bears interest at 7% per annum with principal and interest payable on or before August 31, 2015. During 2015, all loans were extended for one year. At December 31, 2015 and December 31, 2014, there is approximately $10,000 and $8,000, respectively, in accrued interest included in notes payable - related party related to these notes.

**Notes Payable:**
During the year ended December 31, 2015, the Company financed various insurance premiums in the amount of $167,000. The notes bear interest rates ranging from 0% to 10.25%, are payable in monthly principal and interest payments ranging from $900 to $12,000 with maturity dates beginning in February 2016 through December 2016. As of December 31, 2015, these notes totaled $39,000. Total interest expense for the year ended December 31, 2015 related to notes payable for insurance premiums was approximately $5,000.

## NOTE F - GOODWILL

On July 1, 2013, the Company completed its merger with MedTel Solutions, LLC (“MedTel”), an Alabama limited liability company, in accordance with its Merger Agreement dated June 28, 2013. MedTel was organized on June 13, 2012 for the purpose of engaging in and is now engaged in the business of providing licensed medical practitioners to perform services via telemedicine. Pursuant to the agreement, the Company authorized the issuance of 3,000,000 shares of its common stock in exchange for 100% of the outstanding membership interests of MedTel. The fair value of the consideration given up totaled $275,000 of which $36,000 has been allocated to the fair value of net identifiable assets and the remaining $239,000 to goodwill.

In accordance with FASB ASC 350, “Intangibles - Goodwill and Other,” the Company performs goodwill impairment testing at least annually, unless indicators of impairment exist in interim periods. The impairment test for goodwill uses a two-step approach. Step one compares the estimated fair value of a reporting unit with goodwill to its carrying value. If the carrying value exceeds the estimated fair value, step two must be performed. Step two compares the carrying value of the reporting unit to the fair value of all of the assets and liabilities of the reporting unit (including any unrecognized intangibles) as if the reporting unit was acquired in a business combination. If the carrying amount of a reporting unit’s goodwill exceeds the implied fair value of its goodwill, an impairment loss is recognized in an amount equal to the excess. As of December 31, 2015 and December 31, 2014, there is no impairment of goodwill.

In connection with the merger, the Company also entered into two employment agreements with the former holders of MedTel membership interests. Each agreement provides for bonus compensation of 2,000,000 shares of common stock to be earned equally upon attainment of quarterly sales and profitability goals. At December 31, 2015, no additional compensation has been earned.

## NOTE G - STOCKHOLDERS' EQUITY

**Common Stock:**
The holders of our common stock are entitled to equal dividends and distributions when, as, and if declared by the Board of Directors from available funds. No holder of any shares of common stock has a preemptive right to subscribe for any of our securities, nor are any common shares subject to redemption or convertible into other of our securities, except for outstanding options described below. Upon liquidation, dissolution or winding up, and after payment of creditors and preferred stockholders, if any, the assets will be divided pro-rata on a share-for-share basis among the holders of the shares of common stock. All shares of common stock now outstanding are fully paid, validly issued and non-assessable. Each share of common stock is entitled to one vote with respect to the election of any director or any other matter upon which shareholders are required or permitted to vote. Holders of our common stock do not have cumulative voting rights, so the holders of more than 50% of the combined shares voting for the election of directors may elect all of the directors if they choose to do so, and, in that event, the holders of the remaining shares will not be able to elect any members to the Board of Directors.

During the year ended December 31, 2015, the Company effected the following common stock transactions:

Earned compensation for two doctors from shares issued during 2013 of $20,000 is included in expense for the year ended December 31, 2015.

Earned compensation for two officers from shares issued during 2014 of $54,000 is included in expense for the year ended December 31, 2015.

Earned compensation for two outside directors from shares issued during 2014 of $54,000 is included in expense for the year ended December 31, 2015.

**Preferred Stock:**
Under the Company's Certificate of Incorporation, the Board of Directors has the power, without further action by the holders of the common stock, to designate the relative rights and preferences of the preferred stock, and to issue the preferred stock in one or more series as designated by the Board of Directors. The designation of rights and preferences could include preferences as to liquidation, redemption and conversion rights, voting rights, dividends or other preferences, any of which may be dilutive of the interest of the holders of the common stock or the preferred stock of any other series. The issuance of preferred stock may have the effect of delaying or preventing a change in control of the Company without further shareholder action and may adversely affect the rights and powers, including voting rights, of the holders of common stock. In certain circumstances, the issuance of preferred stock could depress the market price of the common stock.

During the year ended December 31, 2015, the Company effected no preferred stock transactions.

## NOTE G - STOCKHOLDERS' EQUITY (CONTINUED)

**Stock Options:**
Exercise prices and weighted-average contractual lives of stock options outstanding as of December 31, 2015 and 2014 are as follows:

| Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|
| Exercise Prices | Number Outstanding | Weighted Average Remaining Contractual Life | Weighted Average Exercise Prices | Number Exercisable |
| $0.03-$0.044 | 6,500,000 | 1.38 | $0.03 | 6,500,000 |

Summary of Options Granted and Outstanding:

| | For the Years Ended December 31, | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Options: | | | | |
| Outstanding at beginning of year | 6,500,000 | $0.03 | 8,000,000 | $0.03 |
| Granted | 0 | $0.00 | 0 | $0.00 |
| Cancelled | 0 | $0.00 | 0 | $0.06 |
| Exercised | 0 | $0.03 | (1,500,000) | $0.03 |
| Outstanding at end of year | 6,500,000 | $0.03 | 6,500,000 | $0.03 |

During the years ended December 31, 2015 and December 31, 2014, no options were granted.

## NOTE H - INCOME TAXES

The Company accounts for income taxes using the liability method, under which deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

As of December 31, 2015, the Company had net operating loss carry forwards of approximately $15,642,000, which expire in varying amounts between 2020 and 2031. Realization of this potential future tax benefit is dependent on generating sufficient taxable income prior to expiration of the loss carry forward.

At December 31, 2015 and 2014, the Company had a federal operating loss carry forward of $15,642,000 and $15,793,000, respectively.

**NOTE H - INCOME TAXES (CONTINUED)**

Components of net deferred tax assets, including a valuation allowance, are as follows at December 31:

| | 2015 | 2014 |
|---|---|---|
| Deferred tax assets: | | |
| Net operating loss carry forward | $ 4,768,000 | $ 4,805,000 |
| Stock based compensation | 128,000 | 178,000 |
| Total deferred tax assets | 4,896,000 | 4,983,000 |
| Less: Valuation Allowance | (4,896,000) | (4,983,000) |
| Net Deferred Tax Assets | $ -- | $ -- |

The valuation allowance for deferred tax assets as of December 31, 2015 and 2014 was $4,768,000 and $4,983,000, respectively. In assessing the recovery of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the periods in which those temporary differences become deductible. Management considers the scheduled reversals of future deferred tax assets, projected future taxable income, and tax planning strategies in making this assessment. As a result, management determined it was more likely than not the deferred tax assets would be realized as of December 31, 2015 and 2014.

Reconciliation between the statutory rate and the effective tax rate is as follows at December 31:

| | 2015 | 2014 |
|---|---|---|
| Federal statutory tax rate | (35.0)% | (35.0)% |
| State taxes, net of federal tax benefit | (5.0)% | (5.0)% |
| Permanent difference and other | 40.0% | 40.0% |
| Effective tax rate | 0% | 0% |

**NOTE I - MAJOR CUSTOMERS**

During the year ended December 31, 2015, two customers accounted for 30% of the Company’s total revenue. During the year ended December 31, 2014, one customer accounted for 25% of the Company's total revenue.

As of December 31, 2015, balances due from one customer comprised 14% or $62,000 of total accounts receivable.

## NOTE J - REPORTABLE SEGMENTS

Management has identified the Company's reportable segments based on separate lines of business. The parent company, Net Medical Xpress Solutions, derives revenues from the development and marketing of proprietary internet technology-based software. The Company's wholly-owned subsidiary, Telerad Service, Inc., operates under the trade names Net Medical Xpress Services, Net Medical Xpress Specialists and Net Medical Xpress Staffing. Net Medical Xpress Services provides medical diagnostic reading services. Net Medical Xpress Specialists provides virtual telemedicine services to hospitals and other medical entities. Net Medical Xpress Staffing locates and recruits physicians to provide telemedicine services.

Information related to the Company's reportable segments for the year ended December 31, 2015 is as follows:

| | Services | Specialists | Solutions | Staffing | TOTAL |
|---|---|---|---|---|---|
| Revenue | $2,427,000 | $1,387,000 | $301,000 | $107,000 | $4,222,000 |
| Cost of Service | 2,010,000 | 881,000 | 151,000 | 13,000 | 3,055,000 |
| General & administrative | 367,000 | 203,000 | 212,000 | 105,000 | 887,000 |
| Depreciation | 2,000 | 0 | 10,000 | 0 | 12,000 |
| Research & development | 1,000 | 49,000 | 50,000 | 0 | 100,000 |
| Bad debt | 7,000 | 0 | 1,000 | 0 | 8,000 |
| Operating Income (loss) | $40,000 | $254,000 | $(123,000) | $(11,000) | $160,000 |
| Total assets | $429,000 | $202,000 | $305,000 | $265,000 | $1,201,000 |

Operating information related to our reportable segments for the year ended December 31, 2014 is as follows:

| | Services | Specialists | Solutions | Staffing | TOTAL |
|---|---|---|---|---|---|
| Revenue | $3,478,000 | $624,000 | $397,000 | $84,000 | $4,583,000 |
| Cost of Service | 2,736,000 | 565,000 | 307,000 | 157,000 | 3,765,000 |
| General & administrative | 367,000 | 312,000 | 208,000 | 181,000 | 1,068,000 |
| Depreciation | 4,000 | 0 | 10,000 | 1,000 | 15,000 |
| Research & development | 0 | 118,000 | 3,000 | 0 | 121,000 |
| Bad debt | 80,000 | 0 | 0 | 0 | 80,000 |
| Operating Income (loss) | $291,000 | $(371,000) | $(131,000) | $(255,000) | $(466,000) |
| Total assets | $732,000 | $114,000 | $141,000 | $252,000 | $1,239,000 |

A reconciliation of the segments' operating income to the consolidated net income is as follows:

| | | |
|---|---|---|
| Segment's operating income | $ | 160,000 |
| Other income (expense) | | (9,000) |
| Consolidated net income | $ | 151,000 |

## NOTE K - COMMITMENTS AND CONTINGENCIES

**Leases:**
The Company leases office space in New Mexico expiring on January 31, 2017. The Company also leases office equipment valued at $7,000 expiring in May 2017, and computer equipment valued at $17,000 expiring in November 2016. Future minimum lease payments as of December 31, 2015 are as follows:

| Year | Amount |
|---|---|
| 2016 | 94,000 |
| 2017 | 9,000 |

Rent expense for the years ended December 31, 2015 and 2014 amounted to $86,000 and $83,000, respectively.

**Employment Agreement (Related Party):**

During the first quarter of 2013, the Company entered into a new employment agreement with Mr. Govatski whereby agreeing to annual compensation of $30,000 for a term of one year commencing on January 1, 2013. The agreement will automatically renew annually unless terminated by either party. The non-compete agreement has remained intact and becomes effective only in the event of termination by either party. It will remain in effect for duration of the contract.

## NOTE L - SUBSEQUENT EVENTS

Management has evaluated all subsequent events through the date of filing. No significant events have occurred during the period from December 31, 2015 through the date of filing.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

During the two most recent fiscal years, there have been no disagreements with RBSM, LLP, our independent auditor for the years ended December 31, 2015 and 2014, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

## ITEM 9A. CONTROLS AND PROCEDURES

*307 - Disclosure controls and procedures:* As of December 31, 2015, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, with the participation of our principal executive and principal financial officers. Disclosure controls and procedures are defined in Exchange Act Rule 15d-15(e) as "controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act (15 U.S.C. 78a *et seq.*) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms [and] include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure." Based on our evaluation, our President/Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2015, such disclosure controls and procedures were not effective.

*308(a)(1) - Management's responsibility:* Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Exchange Act Rule 15d-15(f) "as a process designed by, or under the supervision of, the issuer's principal executive and principal financial officers, or persons performing similar functions, and effected by the issuer's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the issuer; (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the issuer are being made only in accordance with authorizations of management and directors of the issuer; and (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the issuer's assets that could have a material effect on the financial statements." Because of inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

*308(a)(2) - Framework used for evaluation:* In its evaluation of our internal control over financial reporting, our management has used the *Internal Control - Integrated Framework* (1992) and *Internal Control Over Financial Reporting Guidance for Smaller Public Companies* (2006), issued by the Committee of Sponsoring Organizations of the Treadway Commission.

*308(a)(3) - Evaluation of our internal control over financial reporting:* Pursuant to Rule 15d-15 of the Exchange Act, our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015. Based on this evaluation, our management, with the participation of our principal executive and principal financial officers, concluded that our internal control over financial reporting was not effective as of December 31, 2015. Management has identified the following material weakness in our internal control over financial reporting:

- We do not have adequate personnel and other resources to assure that significant and complex transactions are timely analyzed and reviewed.
- We have limited personnel and financial resources available to plan, develop, and implement disclosure and procedure controls and other procedures that are designed to ensure that information required to be disclosed in our periodic reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.
- Our limited financial resources restrict our employment of adequate personnel needed and desirable to separate the various receiving, recording, reviewing and oversight functions for the exercise of effective control over financial reporting.
- Our limited resources restrict our ability to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is accumulated and communicated to management to allow timely decisions regarding required disclosure.

*308(c) - Changes in internal control over financial reporting:* Based upon an evaluation by our management of our internal control over financial reporting, with the participation of our principal executive and principal financial officers, there were no changes made in our internal control over financial reporting during the year ended December 31, 2015 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

*Limitations on the Effectiveness of Internal Control:* Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material errors. An internal 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 on all internal control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include 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, and/or by management override of the control. The design of any system of internal control is also based in part upon certain assumptions about risks and the likelihood of future events, and there is 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 circumstances and the degree of compliance with the policies and procedures may deteriorate. Because of the inherent limitations in a cost-effective internal control system, financial reporting misstatements due to error or fraud may occur and not be detected on a timely basis.

**ITEM 9B. OTHER INFORMATION**

None

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, CONTROL PERSONS AND CORPORATE GOVERNANCE; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Our directors and officers are set forth below. The directors hold office for a one-year term and until their successors are duly elected and qualified. The officers serve at the will of the board of directors, subject to the terms of their employment agreements.

| Name | Age | Position | Director Since |
|---|---|---|---|
| Richard F. Govatski | 71 | Chairman, President and Chief Executive Officer | 1999 |
| Teresa B. Dickey | 72 | Director, Secretary & Treasurer | 2002 |
| John E. Handley | 54 | Director | 2003 |
| Frank A. Reidy | 74 | Director | 2005 |

We do not have a separately designated audit committee, compensation committee or nominating committee. However, Mr. Handley and Mr. Reidy, both qualify as “audit committee financial experts” because of their education and experience in business and accounting. Using the definition of independence contained in the NASDAQ listing rules, Mr. Handley and Mr. Reidy are also our independent directors. We have the authority under Nevada law and our bylaws to indemnify our directors and officers against certain liabilities. We have been informed by the U.S. Securities and Exchange Commission that indemnification against violations of federal securities law is against public policy and therefore unenforceable.

Set forth below is certain biographical information regarding our executive officers and directors:

RICHARD GOVATSKI has been our chairman, CEO, and President since 1996. Mr. Govatski founded Net Medical Xpress Solutions in 1996 after he identified market inefficiencies in how intellectual property owners managed their image assets. Prior to Net Medical Xpress Solutions, Mr. Govatski spent 18 years in systems integration and publishing, both in sales management and software development. Mr. Govatski led the sales teams for Popular Electronics, Computer Shopper, Shutterbug, and MacWeek. Later he sold numerous solutions for vendors, including Kodak, Apple Computer, and Sun Microsystems. Mr. Govatski also spent several years in systems development as President of Media Publishing Group and built graphic applications for companies including Ferrari Color, Time Magazine, New York Daily News, and Getty Images. He received a Bachelor of Science Degree in Communications from Butler University, located in Indianapolis, Indiana in 1968.

TERESA B. DICKEY has been our Secretary/Treasurer since August 1999. She became a member of our Board of Directors on December 19, 2002 and has held such position since such time. From 1988 until 1999 she was employed by Sandia National Laboratory as art director. Sandia National Laboratory is a U.S. Department of Energy national security laboratory. In 1964, Ms. Dickey received her Bachelor of Professional Arts from the Art Center College of Design in Pasadena, California.

JOHN E. HANDLEY has been our director since January 2003. He has been self-employed since September 2002 as a telecommunications consultant. From August 1987 until August 2002 he was employed, as an associate partner (from September 1997 until August 2000) and as a partner (September 2000 until August 2002), by Accenture LLP, a business and technology consulting and outsourcing company. He received his Bachelor of Arts degree in Psychology and Business from Roanoke College in 1983. Thereafter, he received his Masters in Business Administration from Virginia Tech in 1987.

FRANK A. REIDY received his Bachelor of Science degree in Marketing from Oklahoma State University in 1964 and a Masters of Arts in Economics from the University of Toledo in 1972, where he taught micro and macro economics as an evening division adjunct professor for seventeen years. Full-time from 1973 - 1984 he was Chief Accountant for Tecumseh Products Company, Tecumseh, MI. From 1984 - 1989 he was Director of RETS Institute of Technology, Toledo, OH. From 1989 - 1998 he was the Business Manager for Plaza Medical Laboratory, Bartlesville, OK. Currently he is owner of a general construction business in Bartlesville.

**Code of Ethics.**

We have not adopted a code of ethics governing the conduct of our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

**Nomination of Candidates for Directors by Stockholders.**

We have not adopted any procedures for nomination of candidates for directors by our stockholders.

**Board Meeting Attendance.**

Our board held no meetings during 2015.

**Shareholder Communications.**

We have not established any process for security holders to communicate with our board of directors. Our stockholders are welcome to contact our directors and executive officers individually at any time, subject to the limitations of material non-public information pursuant to Regulation FD.

**ITEM 11. EXECUTIVE COMPENSATION**

**Compensation of Executive Officers**

Summary Compensation Table. The following table sets forth information concerning the annual and long-term compensation awarded to, earned by, or paid to the named executive officer for all services rendered in all capacities to us, or any of its subsidiaries, for the years ended December 31, 2015, 2014 and 2013. We did not pay any executive officer more than $100,000 in the last three fiscal years.

| Name and Principal Position | Year | Salary | Stock Awards | Total ($) |
|---|---|---|---|---|
| Richard F. Govatski | 2015 | $22,000 | $27,000 | $49,000 |
| President and Chief Executive Officer | 2014 | $30,000 | $27,000 | $57,000 |
| | 2013 | $28,000 | $20,000 | $48,000 |
| Teresa B. Dickey | 2015 | $22,000 | $27,000 | $49,000 |
| Chief Financial Officer | 2014 | $28,000 | $27,000 | $55,000 |
| | 2013 | $28,000 | $20,000 | $48,000 |

**Aggregated Option Exercises In Last Fiscal Year And Fiscal Year-End Option/Par Values**

The following table sets forth certain information regarding stock options granted during fiscal 2012 and held as of December 31, 2015, by Mr. Govatski.

| Name | Shares acquired on exercise | Value realized | Number of securities underlying unexercised options at fiscal year-end Exercisable/Unexercisable | Value of unexercised in-the-money options at fiscal year-end (1) Exercisable/Unexercisable |
|---|---|---|---|---|
| Richard F. Govatski | -0- | N/A | 3,500,000/0 | $0/$0 (2) |

(1) Value is based on the closing sale price of the Common Stock on December 31, 2015, the last trading day of fiscal 2015 ($0.027), less the applicable option exercise price.
(2) Of these options, 500,000 were exercisable at $0.044 per share and 3,000,000 were exercisable at $0.03 per share.

**Employment Contracts**

During the first quarter of 2013, the Company entered into a new employment agreement with Mr. Govatski whereby agreeing to annual compensation of $30,000 for a term of one year commencing on January 1, 2013. The agreement will automatically renew annually unless terminated by either party. The non-compete agreement has remained intact and becomes effective only in the event of termination by either party. It will remain in effect for duration of the contract.

We do not have an employment agreement with Ms. Dickey.

**Compensation of Directors**

| Name | Shares Awards | 2015 Total |
|---|---|---|
| John Handley | $27,000 | $27,000 |
| Frank Reidy | $27,000 | $27,000 |

Directors are permitted to receive fixed fees and other compensation for their services. The Board of Directors has the authority to fix the compensation of directors. During the year ended December 31, 2014, the Board awarded 2,000,000 shares of our common stock to each Director for services performed during the fiscal years ended December 31, 2014 and December 31, 2015. No additional compensation was granted for services as Directors. During 2015, Mr. Govatski and Ms. Dickey agreed to forego compensation as directors and apply the shares originally received as director compensation toward their executive salaries for 2015.

**Stock Option and Stock Issuance Plans**

| Plan | Year | Options Outstanding and Exercisable (#) | Option Expiration Date |
|---|---|---|---|
| Stock Incentive Plan | 2006 | 6,000,000 | October 17, 2016 |
| Replacement options | 2007 | 500,000 | March 2, 2017 |

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information about the common stock ownership by (i) each director and executive officer; and (ii) directors and executive officers as a group. We do not know of any other person who owns more than five percent of our common stock. The address of our Directors and Officers is our address.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Owner (1) | Percent of Class (1) |
|---|---|---|
| Richard F. Govatski | 24,664,043 (2) | 14.12% |
| Teresa B. Dickey | 10,175,510 (3) | 5.83% |
| John Handley | 12,478,841 | 7.15% |
| Frank Reidy | 18,000,000 | 10.31% |
| Directors and Executive Officers as a Group (4 Persons) | 65,318,394 | 37.41% |

(1) All of the persons are believed to have sole voting and investment power over the shares of common stock listed or share voting and investment power with his or her spouse, except as otherwise provided. Percentage is based on 174,622,470 shares outstanding as of March 16, 2016. Percentage includes amounts which the listed beneficial owner has the right to acquire within sixty days.
(2) This number of shares includes options to purchase 3,500,000 shares. These options have vested and are currently exercisable. The shares underlying these options are included in the table and are considered to be outstanding for purposes of computing the percentage interest held by Mr. Govatski.
(3) This number of shares includes options to purchase 3,000,000 shares. These options have vested and are currently exercisable. The shares underlying these options are included in the table and are considered to be outstanding for purposes of computing the percentage interest held by Ms. Dickey.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

We did not enter into any transactions with our directors and executive officers in 2015, other than service and employment-based transactions, and none are proposed.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

### Audit fees

The aggregate fees billed for fiscal years ended December 31, 2015 and 2014 by RBSM, LLP and L.L. Bradford for professional services rendered for the audit of our annual financial statements and review of financial statements included in our quarterly reports on Form 10-Q were $36,000 during each year.

### Audit-related fees

Not applicable

### Tax fees

The aggregate fees billed for tax services rendered by Reese Gateley, CPA for tax compliance and tax advice for the fiscal years ended December 31, 2015 and 2014 were $5,000 during each year.

**All other fees**

None

**Audit committee pre-approval policy**

Under provisions of the Sarbanes-Oxley Act of 2002, our principal accountant may not be engaged to provide non-audit services that are prohibited by law or regulation to be provided by it, and the Board of Directors (which serves as our audit committee) must pre-approve the engagement of our principal accountant to provide audit and permissible non-audit services. Our Board has not established policies or procedures other than those required by applicable laws and regulations.

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial statements; see index to financial statement and schedules in Item 8 herein.

2. Financial statement schedules; see index to financial statements and schedules in Item 8 herein.

3. Exhibits: None

## SIGNATURES

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

**Net Medical Xpress Solutions, Inc.**

Date: March 30, 2016 */s/ Richard F. Govatski*
Richard F. Govatski
President, Chief Executive Officer and Chairman of the Board of Directors

Date: March 30, 2016 */s/ Teresa B. Dickey*
Teresa B. Dickey, Director, Secretary, Treasurer and Principal Financial Officer

Date: March 30, 2016 */s/ John Handley*
John E. Handley, Director

Date: March 30, 2016 */s/ Frank A. Reidy*
Frank A. Reidy, Director

# 2: ex-31.a (EX-31.a)

To Top

**Exhibit 31(a)**

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard F. Govatski, certify that:

1. I have reviewed this annual report on Form 10-K of Net Medical Xpress Solutions, Inc. for the 2015 fiscal year.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this amended yearly report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this amended yearly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the a registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: March 30, 2016

*/s/ Richard F. Govatski*
Richard F. Govatski
Chief Executive Officer

# 3: ex-31.b (EX-31.b)

To Top

**Exhibit 31(b)**

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Teresa B. Dickey, certify that:

1. I have reviewed this annual report on Form 10-K of Net Medical Xpress Solutions, Inc. for the 2015 fiscal year.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this amended yearly report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this amended yearly report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have::

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the a registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: March 30, 2016

*/s/ Teresa B. Dickey*
Teresa B. Dickey
Principal Financial Officer

# 4: ex-32.a (EX-32.a)

To Top

**Exhibit 32 (a)**

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Yearly Report of Net Medical Xpress Solutions, Inc. (the "Company") on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard F. Govatski, Chief Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

*/s/ Richard F. Govatski*
Richard F. Govatski
Chief Executive Officer

March 30, 2016

# 5: ex-32.b (EX-32.b)

To Top

**Exhibit 32(b)**

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Yearly Report of Net Medical Xpress Solutions, Inc. (the "Company") on Form 10-K for the year ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Teresa B. Dickey, Principal Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

*/s/ Teresa B. Dickey*
Teresa B. Dickey
Principal Financial Officer

March 30, 2016