

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-34822

MRI Interventions, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction
of Incorporation or Organization)

58-2394628

(IRS Employer
Identification Number)

5 Musick

Irvine, California

(Address of Principal Executive Offices)

92618

(Zip Code)

(949) 900-6833

(Registrant's Telephone Number, Including Area Code)

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

(Do not check if smaller reporting company)

Accelerated filer

Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of May 1, 2018, there were 10,974,462 shares of common stock outstanding.

MRI INTERVENTIONS, INC.

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Trademarks, Trade Names and Service Marks

ClearPoint[®], *ClearTrace*[®], *MRI Interventions*[®] and *SmartFrame*[®] are trademarks of MRI Interventions, Inc. Any other trademarks, trade names or service marks referred to in this Quarterly Report on Form 10-Q (this “Quarterly Report”) are the property of their respective owners. As used in this Quarterly Report, Brainlab refers to Brainlab AG and its affiliates.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains “forward-looking statements” as defined under the United States federal securities laws. The forward-looking statements are contained principally in the section of this Quarterly Report entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about:

- future revenues from sales of ClearPoint system products;
- our ability to market, commercialize and achieve broader market acceptance for our ClearPoint system products; and
- estimates regarding the sufficiency of our cash resources and our ability to obtain additional financing, to the extent necessary or advisable.

In some cases, you can identify forward-looking statements by terms such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “projects,” “should,” “will,” “would,” and similar expressions intended to identify forward-looking statements, although not all forward-looking statements contain these words. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Quarterly Report, we caution you that these statements are based on a combination of facts and factors currently known by us and our projections of the future, about which we cannot be certain. You should refer to the section titled “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which we filed with the SEC on March 21, 2018, for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by the forward-looking statements contained in this Quarterly Report. As a result of these factors, we cannot assure you that the forward-looking statements in this Quarterly Report will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, or at all. We do not undertake to update any of the forward-looking statements after the date of this Quarterly Report, except to the extent required by applicable securities laws.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MRI INTERVENTIONS, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

	March 31, 2018	December 31, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,513,634	\$ 9,289,831
Accounts receivable, net	910,109	949,415
Inventory, net	2,532,763	2,314,184
Prepaid expenses and other current assets	153,171	192,727
Total current assets	11,109,677	12,746,157
Property and equipment, net	387,892	267,667
Software license inventory	819,400	871,900
Other assets	31,116	11,641
Total assets	\$ 12,348,085	\$ 13,897,365
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 654,820	\$ 759,445
Accrued compensation	496,436	806,445
Other accrued liabilities	359,270	480,159
Derivative liabilities	29,875	95,786
Deferred service revenue	216,632	256,178
Senior secured note payable	2,000,000	2,000,000
2014 junior secured notes payable, net of unamortized discount and deferred issuance costs of \$80,344 at March 31, 2018	1,894,656	-
Total current liabilities	5,651,689	4,398,013
Accrued interest	787,125	752,500
2014 junior secured notes payable, net of unamortized discount and deferred issuance costs of \$100,430 at December 31, 2017	-	1,874,570
2010 junior secured notes payable, net of unamortized discount of \$1,840,115 and \$1,956,458 at March 31, 2018 and December 31, 2017, respectively	1,159,885	1,043,542
Total liabilities	7,598,699	8,068,625
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 25,000,000 shares authorized at March 31, 2018 and December 31, 2017; none issued and outstanding at March 31, 2018 and December 31, 2017	-	-
Common stock, \$0.01 par value; 200,000,000 shares authorized; 10,825,896 shares issued and outstanding at March 31, 2018; and 10,693,851 issued and outstanding at December 31, 2017	108,258	106,937
Additional paid-in capital	107,318,162	106,757,920
Accumulated deficit	(102,677,034)	(101,036,117)
Total stockholders' equity	4,749,386	5,828,740
Total liabilities and stockholders' equity	\$ 12,348,085	\$ 13,897,365

See accompanying notes to Condensed Consolidated Financial Statements.

MRI INTERVENTIONS, INC.
Condensed Consolidated Statements of Operations
(Unaudited)

	For The Three Months Ended	
	March 31,	
	2018	2017
Revenues:		
Product revenues	\$ 1,538,598	\$ 1,922,215
Service and other revenues	84,768	84,857
Total revenues	1,623,366	2,007,072
Cost of revenues	588,967	752,464
Research and development costs	546,328	557,699
Sales and marketing expenses	962,214	1,066,259
General and administrative expenses	952,951	984,270
Operating loss	(1,427,094)	(1,353,620)
Other income (expense):		
Gain (loss) from change in fair value of derivative liabilities	34,443	(93,046)
Other income (expense), net	(794)	4,127
Interest expense, net	(247,472)	(213,199)
Net loss	\$ (1,640,917)	\$ (1,655,738)
Net loss per share attributable to common stockholders:		
Basic and diluted	\$ (0.15)	\$ (0.46)
Weighted average shares outstanding:		
Basic and diluted	10,741,618	3,622,032

See accompanying notes to Condensed Consolidated Financial Statements.

MRI INTERVENTIONS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For The Three Months Ended	
	March 31,	
	2018	2017
Cash flows from operating activities:		
Net loss	\$ (1,640,917)	\$ (1,655,738)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	31,623	36,121
Share-based compensation	247,464	206,896
Expenses paid through the issuance of common stock	77,500	-
(Gain) loss from change in fair value of derivative liabilities	(34,443)	93,046
Amortization of debt issuance costs and original issue discounts	136,429	100,622
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	39,306	(143,832)
Inventory, net	(297,280)	(62,043)
Prepaid expenses and other current assets	39,556	39,371
Other assets	(19,475)	(5,659)
Accounts payable and accrued expenses	(500,899)	5,059
Deferred revenue	(39,546)	39,980
Net cash flows from operating activities	<u>(1,960,682)</u>	<u>(1,346,177)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(20,646)	-
Net cash flows from investing activities	<u>(20,646)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from warrant exercises	205,131	-
Net cash flows from financing activities	<u>205,131</u>	<u>-</u>
Net change in cash and cash equivalents	<u>(1,776,197)</u>	<u>(1,346,177)</u>
Cash and cash equivalents, beginning of period	9,289,831	3,315,774
Cash and cash equivalents, end of period	<u>\$ 7,513,634</u>	<u>\$ 1,969,597</u>

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for:		
Income taxes	\$ -	\$ -
Interest	<u>\$ 146,611</u>	<u>\$ 146,611</u>

See accompanying notes to Condensed Consolidated Financial Statements.

MRI INTERVENTIONS, INC.
Condensed Consolidated Statements of Cash Flows, continued
(Unaudited)

NON-CASH INVESTING AND FINANCING TRANSACTIONS:

During the three months ended March 31, 2018 and 2017, the Company recorded net transfers of ClearPoint reusable components having an aggregate net book value of \$131,201 and \$91,405, respectively, from inventory to loaned systems, which are included in property and equipment in the accompanying condensed consolidated balance sheets.

See accompanying notes to Condensed Consolidated Financial Statements.

MRI INTERVENTIONS, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Description of the Business and Liquidity

MRI Interventions, Inc. (the “Company”) is a medical device company focused on the development and commercialization of technology that enables physicians to see inside the brain and heart using direct, intra-procedural magnetic resonance imaging (“MRI”) guidance while performing minimally invasive surgical procedures. The Company was incorporated in the state of Delaware in March 1998. The Company’s principal executive office and principal operations are located in Irvine, California. The Company established MRI Interventions (Canada) Inc., a wholly-owned subsidiary incorporated in Canada, in August 2013. This subsidiary was established primarily for the purpose of performing software development, and its activities are reflected in these condensed consolidated financial statements.

The Company’s ClearPoint system, an integrated system comprised of reusable and disposable products, is designed to allow minimally invasive procedures in the brain to be performed in an MRI suite. The Company received 510(k) clearance from the U.S. Food and Drug Administration (“FDA”) in 2010 to market the ClearPoint system in the United States for general neurological interventional procedures. The Company’s ClearTrace system is a product candidate that is designed to allow catheter-based minimally invasive procedures in the heart to be performed in an MRI suite. Although still a product candidate, the Company has suspended its efforts to commercialize the ClearTrace system.

Liquidity

The Company has incurred net losses since its inception which has resulted in a cumulative deficit at March 31, 2018 of \$103 million. Since inception, the Company has financed its operations principally from the sale of equity securities, the issuance of notes payable and license arrangements. As discussed in Note 5, in May 2017, the Company completed a private offering of equity units (the “2017 PIPE”) through which the Company received aggregate gross proceeds of approximately \$13.25 million, before deducting placement agents’ fees and offering expenses aggregating approximately \$1.3 million. As a result, the Company’s cash and cash equivalent balances at March 31, 2018 aggregated \$7.5 million.

The Company’s plans for the next twelve months reflect management’s anticipation of increases in revenues from sales of the ClearPoint System and related disposable products as a result of greater utilization at existing installed sites and the installation of the ClearPoint System at new sites. Management also anticipates maintaining recurring operating expenses at historical levels, with expected decreases in research and development expenses and general and administrative expenses being offset by increases in selling and marketing expenses associated with the anticipated growth in revenues. However, there is no assurance that the Company will be able to achieve its anticipated results, and even in the event such results are achieved, the Company expects to continue to consume cash in its operations over at least the next twelve months. In addition, as discussed in Note 4, the Company has notes payable with principal aggregating \$4.0 million, of which \$2.0 million matures in December 2018 and \$2.0 million matures in March 2019.

As a result of the foregoing, the Company believes it will be necessary to seek additional sources of funds from the sale of equity or debt securities, which likely would result in dilution to the Company’s current stockholders, or from the establishment of a credit facility or the entry into an agreement with a strategic partner or some other form of collaborative relationship. There is no assurance, however, that the Company will be able to obtain such additional financing on commercially reasonable terms, if at all, and there is no assurance that any additional financing that the Company does obtain will be sufficient to meet its needs. If the Company is not able to obtain the additional financing on a timely basis, the Company may be unable to achieve its anticipated results, and the Company may not be able to meet its other obligations as they become due. An inability to obtain a sufficient amount of additional funding would create substantial doubt as to the Company’s ability to continue as a going concern.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

In the opinion of management, the accompanying unaudited condensed consolidated financial statements have been prepared on a basis consistent with the Company’s December 31, 2017 audited consolidated financial statements, and include all adjustments, consisting of only normal recurring adjustments, necessary to fairly state the information set forth therein. These condensed consolidated financial statements have been prepared in accordance with United States (“U.S.”) Securities and Exchange Commission (“SEC”) rules for interim financial information, and, therefore, omit certain information and footnote disclosures necessary to present such statements in accordance with generally accepted accounting principles in the U.S. (“GAAP”). The preparation of these condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the related disclosures at the date of the financial statements and during the reporting period. Actual results could materially differ from these estimates. These condensed financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on March 21, 2018 (the “2017 Form 10-K”). The accompanying unaudited condensed consolidated balance sheet as of December 31, 2017 has been derived from the audited consolidated financial statements at that date but does not include all information and footnotes required by GAAP for a complete set of financial statements. The results of operations for the three months ended March 31, 2018 may not be indicative of the results to be expected for the entire year or any future periods.

MRI INTERVENTIONS, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Derivative Liabilities

Derivative liabilities represent the fair value of a conversion feature of a note payable and of certain warrants to purchase common stock (see Note 6). These derivative liabilities are calculated utilizing the Monte Carlo simulation valuation method. Changes in the fair values of these warrants are recognized as other income or expense in the related condensed consolidated statements of operations.

Fair Value Measurements

The Company measures and records certain financial assets and liabilities at fair value on a recurring basis. GAAP provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority, referred to as Level 1, to quoted prices in active markets for identical assets and liabilities. The next priority, referred to as Level 2, is given to quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active; that is, markets in which there are few transactions for the asset or liability, or inputs other than quoted prices that are observable for the asset or liability. The lowest priority, referred to as Level 3, is given to unobservable inputs. The table below reflects the level of the inputs used in the Company's fair value calculations:

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
March 31, 2018				
Derivative liabilities - warrants	\$ -	\$ -	\$ 15,875	\$ 15,875
Derivative liabilities – debt conversion feature	\$ -	\$ -	\$ 14,000	\$ 14,000
December 31, 2017				
Derivative liabilities - warrants	\$ -	\$ -	\$ 79,286	\$ 79,286
Derivative liabilities – debt conversion feature	\$ -	\$ -	\$ 16,500	\$ 16,500

Inputs used in the Company's Level 3 calculation of fair value include the assumed dividend rate on the Company's common stock, risk-free interest rates, stock price volatility and the likelihood of a future equity financing transaction, all of which are further discussed in Note 6.

Carrying amounts of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their short maturities.

MRI INTERVENTIONS, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

The table below reflects the carrying values and the estimated fair values, based on Level 3 inputs, of the Company's outstanding notes payable, including the related accrued interest, at March 31, 2018 and December 31, 2017:

	<u>Carrying Values</u>	<u>Estimated Fair Values</u>
<u>March 31, 2018</u>		
Senior secured note payable, including accrued interest	\$ 2,027,500	\$ 2,027,500
2014 junior secured notes payable, including accrued interest	\$ 1,903,031	\$ 1,983,375
2010 junior secured notes payable, including accrued interest	\$ 1,938,635	\$ 3,778,750
<u>December 31, 2017</u>		
Senior secured note payable, including accrued interest	\$ 2,028,111	\$ 2,028,111
2014 junior secured notes payable, including accrued interest	\$ 1,942,195	\$ 2,042,625
2010 junior secured notes payable, including accrued interest	\$ 1,796,042	\$ 3,752,500

Inventory

Inventory is carried at the lower of cost (first-in, first-out method) or net realizable value. Items in inventory relate predominantly to the Company's ClearPoint system. Software license inventory related to ClearPoint systems undergoing on-site customer evaluation at either March 31, 2018 or December 31, 2017 is included in inventory in the accompanying condensed consolidated balance sheets as of those respective dates. All other software license inventory is classified as a non-current asset. The Company periodically reviews its inventory for obsolete items and provides a reserve upon identification of potential obsolete items.

Revenue Recognition / Recently Adopted Accounting Pronouncement

Effective January 1, 2018, the Company adopted the provisions of Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which, with subsequent amendments thereto, created a new Topic 606 within the Accounting Standards Codification ("ASC"). Topic 606 is principle-based and provides a five-step model to determine when and how revenue is recognized. The core principle is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Prior to adoption, the Company assessed the impact of Topic 606 and determined that adoption would not have a material effect on its consolidated financial statements. The Company adopted Topic 606 in conformity with its provisions on January 1, 2018 under the modified retrospective method.

The Company's revenues are comprised of: (1) product revenues resulting from the sale of functional neurological products, and drug delivery and biologic products; (2) product revenues resulting from the sale of ClearPoint capital equipment; and (3) revenues resulting from the rental, service, installation, training and shipping related to ClearPoint capital equipment. The Company recognizes revenue when control of the Company's products and services is transferred to its customers in an amount that reflects the consideration the Company expects to receive from its customers in exchange for those products and services. This process involves identifying the contract with a customer, determining the performance obligations in the contract, determining the contract price, allocating the contract price to the distinct performance obligations in the contract, and recognizing revenue when the performance obligations have been satisfied. A performance obligation is considered distinct from other obligations in a contract when it provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and is separately identified in the contract. The Company considers a performance obligation satisfied once it has transferred control of a good or service to the customer, meaning the customer has the ability to use and obtain the benefit of the good or service. The Company recognizes revenue for satisfied performance obligations only when it determines there are no uncertainties regarding payment terms or transfer of control.

- *Sales of functional neurology products, and biologics and drug delivery systems products*: Revenues from the sale of functional neurology products (consisting of disposable products sold commercially and related to cases utilizing the Company's ClearPoint system), and biologics and drug delivery systems (consisting primarily of disposable products related to customer-sponsored clinical trials utilizing the ClearPoint system), are recognized at the time risk of loss passes to the customer, which is generally upon delivery to the customer's location.

MRI INTERVENTIONS, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

- *Sales of capital equipment:* The predominance of capital equipment sales (consisting of integrated computer hardware and software that are integral components of the Company's ClearPoint system) are preceded by customer evaluation periods of generally 90 days. During these evaluation periods, installation of, and training of customer personnel on, the systems have been completed and the systems have been in operation. Accordingly, capital equipment sales following such evaluation periods are recognized upon receipt of an executed purchase agreement or purchase order that provide for risk of loss to pass to the customer. Sales of capital equipment not having been preceded by an evaluation period are recognized on an individual agreement basis as described above.

- *Rental, service and other revenues:* Revenues from rental of ClearPoint capital equipment are recognized over the term of the rental agreement, which is less than one year. Revenues from service of ClearPoint capital equipment previously sold to customers are based on agreements with terms ranging from one to three years. Typically, the Company bills and collects service fees at the inception of the agreement and recognizes revenue ratably over the term of the related service agreement. Service fees billed, collected and unearned are classified as deferred service revenue in the accompanying condensed consolidated statements of operations. Other revenues consist primarily of installation, training and shipping fees in connection with sales of ClearPoint capital equipment and are recognized as the related services are performed.

The Company operates in one industry segment, and substantially all its sales are to U.S.-based customers.

Information with respect to revenue by source is as follows:

	Three Months Ended March 31,	
	2018	2017
Disposable products:		
Functional neurology	\$ 1,148,870	\$ 1,290,484
Biologics and drug delivery	210,930	372,965
Total disposable product revenue	1,359,800	1,663,449
Capital equipment	178,798	258,766
Total product revenue	1,538,598	1,922,215
Rental, service and other	84,768	84,857
Total revenue	\$ 1,623,366	\$ 2,007,072

Net Loss Per Share

The Company computes net loss per share using the weighted-average number of common shares outstanding during the period. Basic and diluted net loss per share are the same because the conversion, exercise or issuance of all potential common stock equivalents, which comprise the entire amount of the Company's outstanding common stock options and warrants as described in Note 5, would be anti-dilutive.

Concentration Risks and Other Risks and Uncertainties

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company holds its cash and cash equivalents on deposit with financial institutions in the U.S. insured by the Federal Deposit Insurance Corporation. At March 31, 2018, the Company had \$214,267 in bank balances that were in excess of the insured limits.

MRI INTERVENTIONS, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Information with respect to customers that accounted for sales in excess of 10% of total sales in the three-month periods ended March 31, 2018 and 2017 is as follows:

	Three Months Ended March 31,	
	2018	2017
Customer - 1	13%	12%

Information with respect to accounts receivable from those customers who comprised more than 10% of accounts receivable at March 31, 2018 and December 31, 2017 is as follows:

	March 31,	December 31,
	2018	2017
Customer - 1	20%	10%

Prior to granting credit, the Company performs credit evaluations of its customers' financial condition, and generally does not require collateral from its customers. The Company will provide an allowance for doubtful accounts when collections become doubtful. The allowance for doubtful accounts at March 31, 2018 and December 31, 2017 was \$28,000 and \$29,000, respectively.

The Company is subject to risks common to emerging companies in the medical device industry, including, but not limited to: new technological innovations; acceptance and competitiveness of its products; dependence on key personnel; dependence on key suppliers; changes in general economic conditions and interest rates; protection of proprietary technology; compliance with changing government regulations; uncertainty of widespread market acceptance of products; access to credit for capital purchases by customers; and product liability claims. Certain components used in manufacturing have relatively few alternative sources of supply and establishing additional or replacement suppliers for such components cannot be accomplished quickly. The inability of any of these suppliers to fulfill the Company's supply requirements may negatively impact future operating results.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, "Leases," which created a new Topic, ASC Topic 842 and established the core principle that a lessee should recognize the assets, representing rights-of-use, and liabilities to make lease payments, that arise from leases. For leases with a term of 12 months or less, a lessee is permitted to make an election under which such assets and liabilities would not be recognized, and lease expense would be recognized generally on a straight-line basis over the lease term. This standard is effective for the Company beginning in 2019, and early application is permitted. The Company currently has two leases for manufacturing and office space that would be subject to the provisions of ASU 2016-02. The Company believes that adoption of ASC Topic 842 (as amended by ASC 2017-13 described above) will result in the establishment on the Company's consolidated balance sheet of an asset and liability for each such lease, but that neither such assets and liabilities nor the resulting lease expense recognition will have a material effect on the Company's consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, "Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception," which, among other items, changes the classification of certain equity-linked financial instruments (or embedded features) with down round features. The standard is effective for the Company beginning in 2019, and early adoption is permitted. Because the terms of the Company's currently existing derivative liabilities described in Note 6, all of which the Company believes are included in the scope of the standard, will have expired prior to the standard's effective date, the Company believes that adoption of the standard on its effective date will not have a material effect on the Company's consolidated financial statements.

MRI INTERVENTIONS, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

3. Inventory

Inventory consists of the following as of:

	March 31, 2018	December 31, 2017
Raw materials and work in process	\$ 1,235,130	\$ 1,167,142
Software licenses	52,500	52,500
Finished goods	1,245,133	1,094,542
Inventory, net, included in current assets	2,532,763	2,314,184
Software licenses – non-current	819,400	871,900
Total	<u>\$ 3,352,163</u>	<u>\$ 3,186,084</u>

4. Notes Payable

Senior Secured Note Payable

The indebtedness outstanding under the senior secured note payable to Brainlab, originally issued to Brainlab on April 5, 2011, and subsequently amended and restated on March 6, 2013 and April 4, 2016 (the “Brainlab Note”), at March 31, 2018 and December 31, 2017 was \$2.0 million, and matures on December 31, 2018. Interest, at an annual rate of 5.5%, is payable quarterly in arrears.

The Brainlab Note is collateralized by a senior security interest in all the assets of the Company.

2014 Junior Secured Notes Payable

The indebtedness outstanding under the 2014 Junior Secured Notes Payable (the “2014 Secured Notes”) at March 31, 2018 and December 31, 2017 was \$1.975 million. The 2014 Secured Notes mature on March 25, 2019 and bear interest at an annual rate of 12%, payable semi-annually, in arrears, and are collateralized by a security interest in all the Company’s assets, which security interest is junior and subordinate to the security interest that collateralizes the Brainlab Note.

Under the terms of a securities purchase agreement, the 2014 Secured Notes were issued in a private placement that included warrants (the “investor warrants”) to purchase 0.01 shares of the Company’s common stock for each dollar in principal amount. Under GAAP, the Company allocated the private placement proceeds proportionately between the 2014 Secured Notes and the investor warrants based on their relative fair values, with the amount allocated to the fair value of the investor warrants recorded as equity and as a discount to the carrying amount at the date of issuance. This discount is being amortized to interest expense over the five-year term of the 2014 Secured Notes using the effective interest method. The unamortized discount at March 31, 2018 and December 31, 2017 was \$54,216 and \$67,770, respectively. The carrying amount of the 2014 Secured Notes in the accompanying condensed consolidated balance sheets is also presented net of issuance costs, as discussed further below.

The Company’s placement agents earned cash commissions of \$145,500 as well as warrants (the “placement agent warrants”) to purchase shares of the Company’s common stock. The placement agent warrants have the same terms and conditions as the investor warrants. The placement agent cash commissions, the fair value of the placement agent warrants, and other offering expenses were recorded as deferred financing costs and are presented as reductions of the carrying amount of the 2014 Secured Notes in the accompanying condensed consolidated balance sheets. These deferred financing costs, having an unamortized balance of \$26,128 and \$32,660 at March 31, 2018 and December 31, 2017, respectively, are being amortized to interest expense over the term of the 2014 Secured Notes using the effective interest method.

2010 Junior Secured Notes Payable

The indebtedness outstanding under the 2010 Junior Secured Notes Payable (the “2010 Secured Notes”) at March 31, 2018 and December 31, 2017 was \$3.0 million. The 2010 Secured Notes accrue interest at an annual rate of 3.5% and are collateralized by a security interest in all the Company’s assets, which security interest is junior and subordinate to the security interest that collateralizes the Brainlab Note and the 2014 Secured Notes. All outstanding principal and interest on the 2010 Secured Notes will be due and payable in a single payment upon maturity.

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Under the terms of a securities purchase agreement, the 2010 Secured Notes were issued in a private placement of units that included the 2010 Secured Notes and one share of the Company's common stock. Under GAAP, the Company allocated the \$3.0 million in proceeds from the sale of the units between the 2010 Secured Notes and the shares of common stock based on their relative fair values. The amount allocated to the value of the shares of common stock was recorded as equity and as a discount to the carrying value of the 2010 Secured Notes at their date of issuance. The unamortized discount at March 31, 2018 and December 31, 2017 was \$1,840,115 and \$1,956,458, respectively. This discount is being amortized to interest expense over the 10-year term of the notes using the effective interest method.

At March 31, 2018 and December 31, 2017, the Company's Chairman and one of the Company's officers held 2010 Secured Notes they purchased at the date of original issuance having an aggregate principal balance of \$197,000.

Scheduled Notes Payable Maturities

Scheduled principal payments as of March 31, 2018 with respect to notes payable are summarized as follows:

<u>Years ending December 31,</u>	
2018	\$ 2,000,000
2019	1,975,000
2020	<u>3,000,000</u>
Total scheduled principal payments	6,975,000
Less: Unamortized discounts and deferred financing costs	<u>(1,920,459)</u>
Total	<u>\$ 5,054,541</u>

5. Stockholders' Equity

2017 Private Placement

On May 26, 2017, the Company completed the 2017 PIPE pursuant to a Securities Purchase Agreement dated May 25, 2017 (the "2017 PIPE Purchase Agreement") with certain accredited investors (collectively, the "2017 PIPE Investors") for the private placement of 6,625,000 units (the "2017 PIPE Units") at a purchase price of \$2.00 per unit, with each unit consisting of: (i) one share of the Company's common stock; and (ii) a warrant to purchase one share of the Company's common stock (each, a "2017 PIPE Warrant" and collectively, the "2017 PIPE Warrants").

In connection with the sale of the 2017 PIPE Units, the Company received aggregate gross proceeds of approximately \$13.25 million, before deducting placement agents' fees and offering expenses aggregating approximately \$1.3 million. In addition, the placement agents for the 2017 PIPE received, in the aggregate, warrants ("2017 PIPE Placement Agent Warrants") to purchase up to 509,200 shares of common stock.

Purchase Agreement

The 2017 PIPE Purchase Agreement contains representations and warranties by the Company and the 2017 PIPE Investors and covenants of the Company and the 2017 PIPE Investors (including indemnification from the Company in the event of breaches of its representations and warranties), which the Company believes are customary for transactions of this type.

Registration Rights Agreement

Concurrent with completion of the 2017 PIPE, the Company and the 2017 PIPE Investors entered into a Registration Rights Agreement (the "2017 PIPE Registration Rights Agreement") pursuant to which the Company was required to prepare and file a registration statement (the "2017 PIPE Registration Statement") with the SEC under the Securities Act of 1933, as amended, covering the resale of the shares of common stock to be issued to the 2017 PIPE Investors under the 2017 PIPE Purchase Agreement as well as the shares of common stock underlying the 2017 PIPE Warrants and the 2017 PIPE Placement Agent Warrants. The Company was required to file such 2017 PIPE Registration Statement on or before June 26, 2017, and was required to use its best efforts to have the 2017 PIPE Registration Statement declared effective as soon as practicable. The Company filed the 2017 PIPE Registration Statement on June 26, 2017, and the 2017 PIPE Registration Statement was declared effective by the SEC on July 7, 2016, both dates being in conformity with the foregoing requirements. Pursuant to the 2017 PIPE Registration Rights Agreement, if the Company fails to continuously maintain the effectiveness of the 2017 PIPE Registration Statement (with certain permitted exceptions), the Company will incur certain liquidated damages to the 2017 PIPE Investors. The 2017 PIPE Registration Rights Agreement also contains mutual indemnifications by the Company and each 2017 PIPE Investor, which the Company believes are customary for transactions of this type.

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Warrants

The 2017 PIPE Warrants are exercisable, in full or in part, at any time prior to the fifth anniversary of their issuance, at an exercise price of \$2.20 per share, subject to provisions for: (a) adjustments in the case of certain corporate transactions; (b) consideration to be received in lieu of shares of the Company's common stock in the case of certain fundamental transactions; and (c) a "cashless exercise" feature. The 2017 PIPE Placement Agent Warrants have the same terms and conditions as the 2017 PIPE Warrants.

Issuance of Common Stock in Lieu of Cash Payments

Under the terms of the Amended and Restated Non-Employee Director Compensation Plan, each non-employee member of the Company's Board of Directors may elect to receive all or part of his or her director fees in shares of the Company's common stock. Director fees, whether paid in cash or in shares of common stock, are payable quarterly on the last day of each fiscal quarter. The number of shares of common stock issued to directors is determined by dividing the product of: (i) the fees otherwise payable to each director in cash, times (ii) the percentage of fees the director elected to receive in shares of common stock, by (iii) the volume weighted average price per share of common stock over the last five trading days of the quarter. During the three months ended March 31, 2018, 9,298 shares were issued to directors as payment for director fees in lieu of cash. No shares were issued to directors as payment for director fees during the three months ended March 31, 2017.

Stock Incentive Plans

The Company has various share-based compensation plans and share-based compensatory contracts (collectively, the "Plans") under which it has granted share-based awards, such as stock grants, and incentive and non-qualified stock options, to employees, directors, consultants and advisors. Awards may be subject to a vesting schedule as set forth in individual award agreements. Certain of the Plans also have provided for cash-based performance bonus awards.

Since June 2015, the Company has granted share-based awards under the MRI Interventions, Inc. Amended and Restated 2013 Incentive Compensation Plan (the "2013 Plan"). Under the 2013 Plan, a total of 1,956,250 shares of the Company's common stock are reserved for issuance. Of this amount, stock grants of 114,483 shares have been awarded and option grants, net of options terminated, expired or forfeited, of 748,145 shares were outstanding as of March 31, 2018. Accordingly, 1,093,622 shares remained available for grants under the 2013 Plan as of that date.

Stock option activity under all of the Company's Plans during the three months ended March 31, 2018 is summarized below:

	Shares	Weighted - Average Exercise Price
Outstanding at December 31, 2017	1,238,199	\$ 12.47
Granted	-	-
Forfeited	(6,745)	6.41
Outstanding at March 31, 2018	<u>1,231,454</u>	<u>\$ 12.50</u>

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The Company records share-based compensation expense on a straight-line basis over the related vesting period. For the three months ended March 31, 2018 and 2017, share-based compensation expense related to options was:

Three Months Ended March 31,	
2018	2017
\$ 247,464	\$ 206,896

As of March 31, 2018, there was unrecognized compensation expense of \$949,372 related to outstanding stock options, which is expected to be recognized over a weighted average period of 1.77 years.

Warrants

Warrants have generally been issued for terms of up to five years. Common stock warrant activity for the three months ended March 31, 2018 was as follows:

	Shares	Weighted - Average Exercise Price
Outstanding at December 31, 2017	8,949,078	\$ 4.12
Issued	-	-
Exercised	(103,207)	4.15
Terminated	(49,749)	2.00
Outstanding at March 31, 2018	8,796,122	\$ 4.15

6. Derivative Liabilities

Derivative liabilities at March 31, 2018 arose from an amendment the Company entered into with Brainlab, with respect to the Brainlab Note and related warrants (the “Brainlab warrants”), the provisions of which created: (a) a conversion feature allowing for \$500,000 the principal balance of the Brainlab Note to be converted in a Qualified Public Offering, as defined in the amendment, at a public offering price that may be less than market value per share of the Company’s common stock; and (b) down round strike price protection with respect to Brainlab warrants.

Derivative liabilities at December 31, 2017 arose from the amendment to the Brainlab Note described above, and from warrants, issued in 2013, that contained net-cash settlement and down-round provisions (the “2013 warrants”). The 2013 warrants expired in January 2018.

The fair values of the conversion feature and the Brainlab warrants were calculated using the Monte Carlo simulation valuation method. Assumptions used in calculating the fair value of the conversion feature at March 31, 2018 are as follows:

Risk free interest rates	2.49%
Volatility	60.00%

In addition to the assumptions above, the Company also estimates the likelihood of whether it will participate in a Qualified Public Offering prior to maturity of the Brainlab Note.

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The fair values and the changes in fair values of derivative liabilities during the three months ended March 31, 2018 and 2017 are as follows:

	Three Months Ended	
	March 31,	
	2018	2017
Balance, beginning of period	\$ 95,786	\$ 131,173
Reduction from warrant exercise	(31,468)	-
Loss on change in fair value for the period	(34,443)	93,046
Balance, end of period	<u>\$ 29,875</u>	<u>\$ 224,219</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed financial statements and the notes thereto appearing in Part I, Item 1 of this Quarterly Report. Historical results and trends that might appear in this Quarterly Report should not be interpreted as being indicative of future operations.

Overview

We are a medical device company that develops and commercializes innovative platforms for performing minimally invasive surgical procedures in the brain and heart under direct, intra-procedural MRI guidance. We have two product platforms. Our ClearPoint system, which is in commercial use, is used to perform minimally invasive surgical procedures in the brain. We anticipate that our ClearTrace system, which is a product candidate, will be used to perform minimally invasive surgical procedures in the heart. In 2015, we suspended development of the ClearTrace system so that we could focus our resources on the ClearPoint system. Both systems utilize intra-procedural MRI to guide the procedures and are designed to work in a hospital's existing MRI suite. We believe that our two product platforms, subject to appropriate regulatory clearance and approval, will deliver better patient outcomes, enhance revenue potential for both physicians and hospitals, and reduce costs to the healthcare system.

In 2010, we received regulatory clearance from the FDA to market our ClearPoint system in the U.S. for general neurological procedures. In 2011, we also obtained CE marking approval for our ClearPoint system, which enables us to sell our ClearPoint system in the European Union. Substantially all our product revenues for the three months ended March 31, 2018 relate to sales of our ClearPoint system products. We do not have regulatory clearance or approval to sell our ClearTrace system for commercial use. We have financed our operations and internal growth primarily through the sale of equity securities, the issuance of convertible and other secured notes, and license arrangements. We have incurred significant losses since our inception in 1998 as we have devoted substantial efforts to research and development. As of March 31, 2018, we had accumulated losses of approximately \$103 million. We may continue to incur operating losses as we commercialize our ClearPoint system products, continue to develop our ClearTrace system, and expand our business.

Factors Which May Influence Future Results of Operations

The following is a description of factors that may influence our future results of operations, and that we believe are important to an understanding of our business and results of operations.

Revenues

In 2010, we received 510(k) clearance from the FDA to market our ClearPoint system in the U.S. for general neurological procedures. Future revenues from sales of our ClearPoint system products are difficult to predict and may not be sufficient to offset our continuing research and development expenses and our increasing selling, general and administrative expenses. We cannot sell our ClearTrace system for commercial use until we receive regulatory clearance or approval.

Generating recurring revenues from the sale of disposable products is an important part of our business model for our ClearPoint system. We anticipate that, over time, recurring revenues will constitute an increasing percentage of our total revenues as we leverage installations of our ClearPoint system to generate recurring sales of our ClearPoint disposable products. Our product revenues were approximately \$1.5 million for the three months ended March 31, 2018 and were almost entirely related to our ClearPoint system.

Our revenue recognition policies are more fully described in Note 2 to the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Cost of Product Revenues

Cost of product revenues includes the direct costs associated with the assembly and purchase of components for disposable products and ClearPoint system reusable products which we have sold, and for which we have recognized the revenue in accordance with our revenue recognition policy. Cost of product revenues also includes the allocation of manufacturing overhead costs and depreciation of loaned systems installed under our ClearPoint placement program, as well as provisions for obsolete, impaired, or excess inventory.

Research and Development Costs

Our research and development costs consist primarily of costs associated with the conceptualization, design, testing, and prototyping of our ClearPoint system products and our ClearTrace system components (prior to the suspension of such development). Such costs include salaries, travel, and benefits for research and development personnel, including related share-based compensation; materials and laboratory supplies in research and development activities; consultant costs; sponsored research and product development with third parties; and licensing costs related to technology not yet commercialized. We anticipate that, over time, our research and development costs may increase as we: (i) continue to develop enhancements to our ClearPoint system; (ii) resume our ClearTrace system product development efforts; and (iii) seek to expand the application of our technological platforms. From our inception through March 31, 2018, we have incurred approximately \$51 million in research and development expenses.

Product development timelines, likelihood of success, and total costs can vary widely by product candidate. There are also risks inherent in the regulatory clearance and approval process. At this time, we are unable to estimate with any certainty the costs that we will incur in either the further development of our ClearTrace system for commercialization, or in our efforts to expand the application of our technological platforms.

Sales and Marketing, and General and Administrative Expenses

Our sales and marketing, and general and administrative expenses consist primarily of salaries, incentive-based compensation, travel and benefits, including related share-based compensation; marketing costs; professional fees, including fees for attorneys and outside accountants; occupancy costs; insurance; and other general and administrative expenses, which include, but are not limited to, corporate licenses, director fees, hiring costs, taxes, postage, office supplies and meeting costs. Our sales and marketing expenses are expected to increase due to costs associated with the commercialization of our ClearPoint system and the increased headcount necessary to support growth in operations.

Critical Accounting Policies

As described in Note 2 to the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report, effective January 1, 2018, we adopted the provisions of ASC Topic 606, "Revenue from Contracts with Customers." Adoption of Topic 606 had no material effect on our condensed consolidated financial statements.

There have been no other significant changes in our critical accounting policies during the three months ended March 31, 2018 as compared to the critical accounting policies described in our 2017 Form 10-K.

Results of Operations

Three Months Ended March 31, 2018 Compared to the Three Months Ended March 31, 2017

	Three Months Ended March 31,		
	2018	2017	Percentage Change
Product revenues	\$ 1,538,598	\$ 1,922,215	(20)%
Service and other revenues	84,768	84,857	NM
Total revenues	1,623,366	2,007,072	(19)%
Cost of revenues	588,967	752,464	(22)%
Research and development costs	546,328	557,699	(2)%
Sales and marketing expenses	962,214	1,066,259	(10)%
General and administrative expenses	952,951	984,270	(3)%
Other income (expense):			
Gain (loss) from change in fair value of derivative liabilities	34,443	(93,046)	(137)%
Other income (expense), net	(793)	4,127	(119)%
Interest expense, net	(247,472)	(213,199)	16%
Net loss	\$ (1,640,917)	\$ (1,655,738)	1%

NM = Not meaningful

Revenue. Total revenues were \$1.6 million for the three months ended March 31, 2018, and \$2.0 million for the three months ended March 31, 2017, a decrease of \$400,000, or 19%.

Functional neurology revenue, which consists of disposable product commercial sales related to cases utilizing the ClearPoint system, decreased 11% to \$1.1 million for the three months ended March 31, 2018, from \$1.3 million for the same period in 2017. The decrease was due primarily to a larger number of cases consuming two kits per case (as opposed to one kit per case) during the first quarter of 2017, relative to the same period in 2018. There were no increases in functional neurology product prices during the period between the three months ended March 31, 2017 and the same period in 2018 that would be reasonably expected to affect a typical customer order.

Biologics and drug delivery systems revenue, which consists primarily of disposable product sales related to customer-sponsored clinical trials utilizing the ClearPoint system, decreased 43% to \$211,000 for the three months ended March 31, 2018, from \$373,000 for the same period in 2017. Revenues from this product line may vary from quarter to quarter based primarily on biotechnology customers' scheduling of clinical trials. The decrease from the first quarter of 2017 to the same period in 2018 was due to the purchasing pattern of two biotechnology customers who purchased an aggregate of \$305,000 of product during the first quarter of 2017, as compared to an aggregate of \$74,000 during the same period in 2018. There were no increases in biologics and drug delivery product prices during the period between the three months ended March 31, 2017 and the same period in 2018 that would be reasonably expected to affect a typical customer order.

Capital equipment revenue, consisting of sales, rentals and service of ClearPoint reusable hardware and software, decreased 23% to \$263,000 for the three months ended March 31, 2018, from \$344,000 for the same period in 2017. Revenues from this product line historically have varied from quarter to quarter. This decrease was due primarily to a decrease from the first quarter of 2017 to the same period in 2018 in the number of ClearPoint systems sold. There were no increases in capital equipment product prices during the period between the three months ended March 31, 2017 and the same period in 2018 that would be reasonably expected to affect a typical customer order.

Cost of Revenue. Cost of revenue was \$589,000 for the three months ended March 31, 2018, representing gross margin of 64%, compared to \$752,000 for the same period in 2017, representing gross margin of 63%. The increase in gross margin was due primarily to a favorable mix of revenues in the first quarter of 2018, in which (i) biologics and drug delivery revenues, and (ii) service revenues, both bearing higher gross margins relative to other product lines, bore a higher percentage of total revenues, when compared to the same period in 2017.

Research and Development Costs. Research and development costs were \$546,000 for three months ended March 31, 2018, compared to \$558,000 for the same period in 2017, a decrease of \$11,000, or 2%. The decrease was due primarily to decreases in software development costs of \$56,000 and pre-commercial license fee of \$17,000, being partially offset by increases in share-based compensation expenses of \$28,000 and regulatory legal fees of \$33,000.

Sales and Marketing Expenses. Sales and marketing expenses were \$962,000 for the three months ended March 31, 2018, compared to \$1.1 million for the same period in 2017, a decrease of \$104,000, or 10%. This decrease was primarily due to a decrease in sales personnel costs of \$251,000 due to: (a) consolidation in the second quarter of 2017 of our sales and marketing leadership; and (b) a decrease in incentive compensation in the first quarter of 2018, relative to the same period in 2017, based on lower sales volume. This decrease was partially offset by a \$152,000 increase in clinical personnel costs due to: (y) an increase in clinical personnel headcount in the first quarter of 2018, relative to the same period in 2017; and (z) relocation costs incurred in the first quarter of 2018 to position our clinical personnel in closer proximity to high-volume customer locations.

General and Administrative Expenses. General and administrative expenses were \$953,000 for the three months ended March 31, 2018, compared to \$984,000 for the same period in 2017, a decrease of \$31,000, or 3%. This decrease was due primarily to decreases in professional fees of \$20,000 and investor relations fees of \$27,000 due to financing activity in which we were engaged during the first quarter of 2017 that did not recur during the same period in 2018.

Other Income (Expense). During the three months ended March 31, 2018 and 2017, we recorded a gain of \$34,000 and a loss of \$93,000, respectively, resulting from changes in the fair value of our derivative liabilities. Derivative liabilities at March 31, 2018 arose from an amendment the Company entered into with Brainlab, with respect to the Brainlab Note and related warrants (the "Brainlab warrants"), the provisions of which created: (a) a conversion feature allowing for \$500,000 the principal balance of the Brainlab Note to be converted in a Qualified Public Offering, as defined in the amendment, at a public offering price that may be less than market value per share of the Company's common stock; and (b) down round strike price protection with respect to Brainlab warrants.

Derivative liabilities at March 31, 2017 arose from the amendment to the Brainlab Note described above, and from warrants, issued in 2013, that contained net-cash settlement and down-round provisions (the “2013 warrants”). The 2013 warrants expired in January 2018.

Net interest expense for the three months ended March 31, 2018 was \$247,000, compared with \$213,000 for the same period in 2017. The increase was due to increased amortization of the discount and deferred issuance costs associated with the 2014 Secured Notes and the 2010 Secured Notes, both as described in Note 4 to the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Liquidity and Capital Resources

At March 31, 2018, we had cash and cash equivalent balances aggregating \$7.5 million, resulting primarily from completion of the 2017 PIPE discussed in Note 5 to the Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report. Net cash used in operating activities was \$2.0 million and \$1.3 million for the three months ended March 31, 2018 and 2017, respectively.

Our plans for the next twelve months reflect management’s anticipation of increases in revenues from sales of the ClearPoint System and related disposable products as a result of greater utilization at existing installed sites and the installation of the ClearPoint System at new sites. Management also anticipates maintaining recurring operating expenses at historical levels, with expected decreases in research and development expenses and general and administrative expenses being offset by increases in selling and marketing expenses associated with the anticipated growth in revenues. However, there is no assurance that we will be able to achieve our anticipated results, and even in the event such results are achieved, we expect to continue to consume cash in its operations over at least the next twelve months. In addition, as discussed in Note 4 to the Condensed Consolidated Financial Statements included elsewhere in the Quarterly Report, we have notes payable with principal aggregating \$4.0 million, of which \$2.0 million matures in December 2018 and \$2.0 million matures in March 2019.

As a result of the foregoing, we believe it will be necessary to seek additional sources of funds from the sale of equity or debt securities, which likely would result in dilution to our current stockholders, or from the establishment of a credit facility or the entry into an agreement with a strategic partner or some form of collaborative relationship. There is no assurance, however, that we will be able to obtain such additional financing on commercially reasonable terms, if at all, and there is no assurance that any additional financing that we do obtain will be sufficient to meet our needs. If we are not able to obtain the additional financing on a timely basis, we may be unable to achieve our anticipated results, and we may not be able to meet our other obligations as they become due. An inability to obtain a sufficient amount of additional funding would create substantial doubt as to our ability to continue as a going concern.

Cash Flows

Cash activity for the three months ended March 31, 2018 and 2017 is summarized as follows:

	Three Months Ended	
	March 31,	
	2018	2017
Cash used in operating activities	\$ (1,960,682)	\$ (1,346,177)
Cash used in investing activities	(20,646)	-
Cash provided by financing activities	205,131	-
Net change in cash and cash equivalents	<u>\$ (1,776,197)</u>	<u>\$ (1,346,177)</u>

Net Cash Flows from Operating Activities. We used \$2.0 million and \$1.3 million of cash for operating activities during the three months ended March 31, 2018 and 2017, respectively.

During the three months ended March 31, 2018, uses of cash in operating activities primarily consisted of: (i) our \$1.6 million net loss; (ii) increases in inventory of \$297,000, and in other assets of \$19,000; and (iii) decreases in accounts payable and accrued expenses of \$501,000, and in deferred revenue of \$40,000. These uses were partially offset by: (a) non-cash expenses included in our net loss aggregating \$459,000 and consisting primarily of depreciation and amortization, share-based compensation, expenses paid through the issuance of common stock, change in fair value of derivative liabilities and amortization of debt issuance costs and original issue discounts; and (b) decreases in accounts receivable of \$39,000 and prepaid expenses and other current assets of \$40,000.

During the three months ended March 31, 2017, uses of cash in operating activities primarily consisted of: (i) our \$1.7 million net loss; and (ii) increases in accounts receivable of \$144,000, inventory of \$62,000 and other assets of \$6,000. These uses were partially offset by: (a) a decrease in prepaid expenses and other current assets of \$39,000; (b) increases in accounts payable and accrued expenses of \$5,000 and in deferred revenue of \$40,000; and (c) non-cash expenses included in our loss from operations aggregating \$437,000 and consisting of depreciation and amortization, share-based compensation, loss on change in fair value of derivative liabilities, and amortization of debt issuance costs and original issue discounts.

Net Cash Flows from Investing Activities. Net cash flows used in investing activities for the three months ended March 31, 2018 were \$21,000 and consisted of equipment acquisitions. There were no cash flows from investing activities during the three months ended March 31, 2017.

Net Cash Flows from Financing Activities. Net cash flows from financing activities for the three months ended March 31, 2018 consisted of cash proceeds received from warrant exercises of \$205,000. There were no cash flows from financing activities during the three months ended March 31, 2017.

Operating Capital and Capital Expenditure Requirements

To date, we have not achieved profitability. We could continue to incur net losses as we continue our efforts to expand the commercialization of our ClearPoint system products, resume the currently suspended development of our ClearTrace system, and pursue additional applications for our technology platforms. Our cash balances are primarily held in non-interest-bearing demand accounts. Cash in excess of immediate requirements is invested primarily with a view to liquidity and capital preservation.

Because of the numerous risks and uncertainties associated with the development and commercialization of medical devices, we are unable to estimate the exact amounts of capital outlays and operating expenditures necessary to successfully commercialize our ClearPoint system products, complete the development of our ClearTrace system and pursue additional applications for our technology platforms. Our future capital requirements will depend on many factors, including, but not limited to, the following:

- the timing of broader market acceptance and adoption of our ClearPoint system products;
- the scope, rate of progress and cost of our ongoing product development activities relating to our ClearPoint system;
- the cost and timing of expanding our sales, clinical support, marketing and distribution capabilities, and other corporate infrastructure;
- the cost and timing of establishing inventories at levels sufficient to support our sales;
- the effect of competing technological and market developments;
- the cost of pursuing additional applications of our technology platforms under current collaborative arrangements, and the terms and timing of any future collaborative, licensing or other arrangements that we may establish;
- the scope, rate of progress and cost of our research and development activities relating to our ClearTrace system (prior to the suspension of such development);
- the cost and timing of any clinical trials;
- the cost and timing of regulatory filings, clearances and approvals; and
- the cost of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk

Our exposure to market risk is limited primarily to interest income sensitivity, which is affected by changes in the general level of U.S. interest rates, because all our investments are in short-term bank deposits and institutional money market funds. The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive without significantly increasing risk. Due to the nature of our short-term investments, we believe that we are not subject to any material market risk exposure.

Foreign Currency Risk

To date, we have recorded no product sales in currencies other than U.S. dollars. We have only limited business transactions in foreign currencies. We do not currently engage in hedging or similar transactions to reduce our foreign currency risks, which at present, are not material. We believe we have no material exposure to risk from changes in foreign currency exchange rates at this time. We will continue to monitor and evaluate our internal processes relating to foreign currency exchange, including the potential use of hedging strategies.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We have established disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”). Our disclosure controls and procedures are designed to ensure that material information relating to us is made known to our principal executive officer and principal financial officer by others within our organization. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures as of March 31, 2018 to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2018.

Changes in Internal Control Over Financial Reporting

During the quarter ended March 31, 2018, there were no changes in our internal control over financial reporting that materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 1A. RISK FACTORS.

Our business, future financial condition and results of operations are subject to a number of factors, risks and uncertainties, which are disclosed in Item 1A, “Risk Factors,” in Part I of our 2017 Form 10-K. Additional information regarding some of those risks and uncertainties is contained in the notes to the Condensed Consolidated Financial Statements appearing in Part I, Item 1 of this Quarterly Report, and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” appearing in Part I, Item 2 of this Quarterly Report. The risks and uncertainties disclosed in our 2017 Form 10-K, our quarterly reports on Form 10-Q and other reports filed with the SEC are not necessarily all the risks and uncertainties that may affect our business, financial condition and results of operations in the future.

There have been no material changes to the risk factors as disclosed in our 2017 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

The exhibits listed below are filed, furnished or incorporated by reference as part of this Quarterly Report.

Exhibit Number	Exhibit Description
<u>10.1*</u>	<u>Transition and Release Agreement, dated as of March 9, 2018 by and between MRI Interventions, Inc. and Wendelin Maners</u>
<u>31.1*</u>	<u>Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) Under the Securities Exchange Act of 1934</u>
<u>31.2*</u>	<u>Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) Under the Securities Exchange Act of 1934</u>
<u>32+</u>	<u>Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and Section 1350 of Chapter 60 of Title 18 of the United States Code</u>
101.INS*	XBRL Instance
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation
101.DEF*	XBRL Taxonomy Extension Definition
101.LAB*	XBRL Taxonomy Extension Labels
101.PRE*	XBRL Taxonomy Extension Presentation

* Filed herewith.

+ This certification is being furnished solely to accompany this Quarterly Report pursuant to 18 U.S.C. Section 1350, and it is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 15, 2018

MRI INTERVENTIONS, INC.

By: /s/ Joseph M. Burnett

Joseph M. Burnett
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Harold A. Hurwitz

Harold A. Hurwitz
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

TRANSITION AND RELEASE AGREEMENT

This Transition and Release Agreement (the “Agreement”) is made and entered into as of March 9, 2018 (the “Effective Date”) by and between MRI Interventions, Inc. a California corporation (the “Company”), and Wendelin Maners (“Executive”). The Company and Executive are sometimes referred to herein individually as a “Party” and collectively as the “Parties.”

WITNESSETH:

WHEREAS, the Company and the Executive have mutually agreed that Executive’s employment as Vice President of Sales and Marketing of the Company will end (“Executive’s Separation”) no later than July 1, 2018, (“Separation Date”);

WHEREAS, the Company will continue to employ Executive to perform certain transition services for the Company prior to the termination of her employment as the Company’s Vice President of Sales and Marketing, but upon execution of this Agreement, Executive will be relieved of all of Executive’s regular duties;

WHEREAS, the Parties have agreed that Executive will begin to perform Transition Services on March 1, 2018 (“Transition Start Date”);

WHEREAS, the Company and Executive do not anticipate that there will be any disputes between them or legal claims arising out of Executive’s Separation, or the period between the Transition Start Date and the Separation Date, but nevertheless, desire to ensure a completely amicable transition and to settle fully and finally any and all differences or claims arising out of Executive’s employment and her transition from such role; and

WHEREAS, the Parties wish to set forth their respective rights and obligations in connection with the foregoing.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter expressed, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

SECTION 1. EMPLOYMENT; DUTIES AND RESPONSIBILITIES

1.1 **Transition Services.** During the Term (as defined in Section 3.1 of the Agreement) the Company shall continue to employ Executive, and Executive hereby accepts such ongoing employment to provide services to effect the orderly transition of Executive’s former duties and responsibilities with the Company and to provide services with respect to the following special projects: 1) Characterization of opportunity and initial launch planning for the ICH tool including investor slides, reimbursement kit, site targeting, clinical paper education, or other marketing materials; 2) Negotiation and documentation for debt agreements; 3) Introductions and update of third party contacts, as required; and 4) Other projects as mutually agreed upon by Executive and the CEO (the “Transition Services”). In such capacity, Executive shall make herself available to provide the Transition Services as reasonably requested by the Company and shall report directly to the President and Chief Executive Officer (“CEO”), and the Board of Directors, and will serve at their direction and request.

1.2 **Compensation and Expenses During Term.** During the Term of this Agreement, the Company will pay to the Executive, a total of twenty-five percent (25%) of Executive's annual base salary in equal installments through the Separation Date ("Termination Pay"). The Company will deduct normal withholdings for federal and state income taxes and payroll taxes from the payments. Should Executive secure other employment prior to July 1, 2018, the Company will pay Executive a lump sum of any then-unpaid Termination Pay on the Separation Date. The Company will also continue to provide Executive with her current medical benefits through the Separation Date. The Company will reimburse Executive for all reasonable, documented expenses of types authorized by the Company and incurred by Executive in the performance of her duties hereunder, including any business expenses required by Cal. Labor Code § 2802. To the extent that the reimbursement of expenses under this Section 1.2 or otherwise shall constitute deferred compensation under Section 409A of the Code, such expenses shall be reimbursed in accordance with Section 1.409A-3(i)(1)(iv) of the Treasury Regulations. For the avoidance of doubt, the amount of expenses eligible for reimbursement under this Section 1.2 in any given year shall not affect the expenses eligible for reimbursement in any other year. The Company will also pay to Executive the amount of \$8,000.00 for earned incentive compensation from February 2017 in accordance with the Company's normal payroll practices. The Company will also pay the Executive for: (a) five (5) days which the Executive and the Company agree represent unused sick time for 2018; and (b) accrued and unused vacation time, as of the Separation Date.

1.3 **Compliance with Law and Standards.** Executive shall at all times comply with all applicable laws, rules, and regulations of any and all governmental authorities and the applicable standards, bylaws, rules, compliance programs, policies, and procedures of the Company of which Executive has knowledge (including any policies that apply only to executives). Executive further agrees that Executive will not engage in any conduct which, in the reasonable determination of the Company, adversely affects the image or business of the Company or would impair in any material respect Executive's ability to carry out Executive's duties hereunder except as otherwise required by a court, law, governmental agency, or regulation. Executive acknowledges that following the Transition Date, she will not have the authority to bind the Company as its agent (and will not present herself to anyone as having such authority) without the express written directive of the CEO of the Company.

1.4 **Cooperation.** Executive shall cooperate with the Company during the Term and thereafter with respect to any claim against the Company and shall make herself available as a witness in any action, investigation, or other proceeding before any court, government agency, arbitrator, or mediator in which she may be called to appear by the Company regarding any business, property, or operations of the Company or any of its affiliates or subsidiaries, and shall truthfully testify in any such action, proceeding, or deposition in which she also appears. Upon request by Executive and prior approval by the Company, the Company shall reimburse Executive for reasonable travel expenses incurred by Executive in connection with any such appearance in which Executive is so called to appear following the expiration of the Term.

SECTION 2. RELEASE OF CLAIMS

2.1 Effective Date Release.

2.1.1 **Consideration and Severance Benefits.** In exchange for Executive's release of all claims existing as of the Effective Date (as more fully set forth below), and upon Executive's execution of this Agreement, and the expiration of the seven (7) day Revocation Period as described below, the Company will continue to employ the Executive until no later than the Separation Date while Executive looks for other employment, and the Company will provide Executive with continued medical benefits through the Separation Date. The parties acknowledge that Executive's continued employment and continued medical benefits during the Term is consideration for Executive entering into this Agreement and her release of claims as set forth below. Executive acknowledges that Executive would not be entitled to continued employment or continued medical benefits during the Term but for Executive's execution of

this Agreement and the release of claims set forth below. In exchange for Executive's release of all claims existing as of the Separation Date (as defined in Section 3.1), and upon Executive's execution of the Separation General Release Agreement in a form similar to that set forth and attached as Exhibit A hereto, and the expiration of the seven (7) day Revocation Period as described below, and as set forth in the Separation General Release Agreement, the Company agrees to provide to Executive following the Separation Date: (a) COBRA premiums through December 31, 2018, or until Executive obtains health insurance benefits through another employer, whichever occurs sooner; and (b) modification of Executive's stock option terms so as to continue each grant's vesting schedule and allow exercise through the remaining life of each option ("Severance Benefits"). The Parties acknowledge that the Severance Benefits are consideration for Executive entering into the Separation General Release Agreement and her release of claims as set forth therein. Executive acknowledges that the Severance Benefits are in addition to any benefits Executive would be entitled to receive from the Company through the Separation Date and that Executive would not be entitled to the Severance Benefits but for Executive's execution of the Separation General Release and the release of claims set forth therein.

2.1.2 **Release.** In exchange for Executive's continued employment, and the mutual obligations and promises of the Agreement, which are expressly excluded from this general release of claims, Executive fully and forever relieves, releases, and discharges Company and its predecessors, successors, subsidiaries, operating units, affiliates, and divisions, and the agents, representatives, officers, directors, shareholders, members, Executives and attorneys (collectively, the "Released Parties") from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs, expenses, damages, actions, and causes of action, whether in law or in equity, whether known or unknown, whether suspected or unsuspected, and whether arising from or related in any way to Executive's employment prior to the Effective Date, including but not limited to any and all claims arising from her November 3, 2014 offer letter (the "Offer Letter") or any and all claims pursuant to Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866, the Equal Pay Act, **the Age Discrimination in Employment Act (ADEA)**, the Americans with Disabilities Act (ADA), the Employee Retirement Income Security Act (ERISA), the National Labor Relations Act (NLRA), the Genetic Information Nondiscrimination Act (GINA), and all other federal, state or local laws or regulations which concern Executive's employment and which exist, or might exist, as of the date of the execution of this Agreement. This general release of claims also includes, but is not limited to, a release by Executive of any claims for breach of contract, mental pain, suffering and anguish, emotional harm, impairment of economic opportunities, unlawful interference with employment rights, defamation, intentional or negligent infliction of emotional distress, fraud, wrongful termination, wrongful discharge in violation of public policy, wrongful demotion, breach of any express or implied covenant of good faith and fair dealing, claims that Company has dealt with Executive unfairly or in bad faith, and all other common law contract and tort claims. Executive understands that she is not waiving any rights or claims that may arise after this Agreement is signed by Executive, nor is she waiving any claims that cannot be waived as a matter of law, including certain wage claims under the Fair Labor Standards Act (FLSA) or California law, claims under any applicable workers' compensation laws, or claims under unemployment compensation laws. In addition, the Parties expressly agree that this Agreement does not include a waiver of any claim arising out of the breach of this Agreement by the Company. Furthermore, Executive understands that she is not giving up the right to file a Charge of Discrimination with the Equal Employment Opportunity Commission (EEOC) or the state department of Fair Employment and Housing. However, Executive is expressly releasing and waiving any right to obtain monetary or other relief relating to such a charge or subsequent lawsuit filed by the EEOC. Executive agrees to turn over to the Company any such monetary relief obtained by the EEOC (or any other third party) on behalf of the Executive for any claim waived herein.

Executive also specifically acknowledges that she has been advised by legal counsel and/or is familiar with the provisions of § 1542 of the California Civil Code, which provide as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HER MUST HAVE MATERIALLY AFFECTED HER SETTLEMENT WITH THE DEBTOR.

To the extent (if any) this Code section applies, Executive hereby expressly waives and relinquishes any rights or benefits Executive may have thereunder, as well as under any other state or federal statutes of common law principles of similar effect.

2.1.3 **No Admission of Liability.** Executive acknowledges that nothing in this Agreement is intended to, shall constitute evidence of, or shall be construed as an admission by the Company that the Company violated any law, rule, or regulation, interfered with any right, breached any obligation, or otherwise engaged in any improper or illegal conduct.

2.1.4 **Non-Disparagement.** Executive agrees that she will not disparage or speak unfavorably about the Company to third parties or in public or otherwise take any action or make any comment whatsoever that would harm, injure, or potentially harm, or injure the goodwill of the Company. Executive acknowledges that nothing within this Section 2.1.4 or this Agreement is intended to prevent her from making truthful reports to governmental agencies with oversight authority over the Company.

2.1.5 **No Current Claims.** Executive represents and warrants that Executive has not filed any complaint(s) or charge(s) against the Company or the other Released Parties with the EEOC or the state commission empowered to investigate claims of employment discrimination, the United States Department of Labor, or with any other local, state, or federal agency or court or that Executive has disclosed in writing to the Company any such complaint(s) or charge(s).

2.1.6 **Acknowledgement of Waiver of Claims under ADEA.** Executive acknowledges that the general release of claims contained in Section 2.1.2 of this Agreement releases any and all claims concerning Executive's employment prior to the Effective Date that might arise under the ADEA and that this waiver and release is knowing and voluntary. Executive acknowledges that Executive would not be entitled to the consideration given under this Agreement but for Executive's agreement to the general release of claims contained herein and her execution of this Agreement. Executive further acknowledges that (a) she has been advised **that she should consult with an attorney** prior to executing this Agreement, (b) she has been given **twenty-one (21) days within which to consider this Agreement** before executing it, and (c) she has been given at least **seven (7) days** following the execution of this Agreement **to revoke this Agreement** (the "Revocation Period").

2.1.7 **No Additional Compensation.** Executive acknowledges that Executive has been paid all wages and other remuneration owed prior to the Effective Date of this Agreement and that Executive has no current claim for unpaid wages against the Released Parties as of the Effective Date. Executive further acknowledges that Executive is not entitled to any additional compensation, severance, or benefits other than what is expressly set forth herein.

SECTION 3. TERM AND TERMINATION

3.1 **Term.** The term (the "Term") of this Agreement shall begin on the Transition Start Date and shall end on July 1, 2018 or upon Executive's resignation from employment with the Company after Executive has secured other employment, whichever date comes first, at which time Executive's employment with the Company will terminate (such date that the Term ends or is terminated being the "Separation Date").

SECTION 4.
RESTRICTIVE COVENANTS

4.1 **Competition.** During the Term of this Agreement, Executive shall not engage in any other employment, occupation, consulting or other business activity directly related to the business in which Company is now involved or becomes involved during the Term of employment, nor will Executive engage in other activities that conflict with Executive's obligations as an employee of the Company. Upon termination of this Agreement, Executive shall not use or disclose Company's Confidential Information for any reason, including but not limited to using or disclosing Confidential Information to the Company's competitors.

4.2 **Non-Solicitation.** For a period of twelve (12) months immediately following termination of this Agreement, Executive shall not directly or indirectly solicit, induce, recruit or encourage any Company officer, employee or consultant with whom Executive has worked or has knowledge to terminate his or her or its relationship with Company. Examples of conduct prohibited by this Section 4.2 include, but are not limited to: using confidential Company compensation and contact information to make offers and encourage resignations; inducing mass resignations; inducing officers, employees or consultants to resign abruptly and without reasonable notice; and inducing officers, employees or consultants to breach agreements of fixed term and length before expiration. Nothing herein shall prevent general solicitations through advertising or similar means which are not specifically directed at employees, officers, consultants, or agents of the Company.

4.3 **Reasonableness of Covenants.** Executive expressly acknowledges that the terms of this Agreement are necessary to protect the Company's legitimate and protectable interests and are reasonable to Executive. Executive enjoys a position of special trust and confidence with the Company, and by virtue of that position, Executive has received, and will continue to receive, access to the Company's Confidential Information, including without limitation the Company's client lists and client relationships, which the Company has acquired and will maintain the confidentiality of at great expense. Executive further acknowledges that the Company has invested considerable time and expense in the development of Executive's skills and experience and that the Company has a protectable business interest in such investment. If a court of competent jurisdiction declares that any term or provision of this Section 4 is invalid or unenforceable, the parties hereto agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of any restriction with a lesser restriction that is valid and enforceable to the fullest extent permitted by law, and this Agreement shall be enforced as so modified.

SECTION 5.
CONFIDENTIAL INFORMATION

5.1 **Non-disclosure.** During the Term of this Agreement and any time thereafter, Executive shall not disclose, shall retain in strictest confidence, and shall not use for Executive's direct or indirect benefit, or the direct or indirect benefit of any person not a party to this Agreement, any Confidential Information (as defined below), without the Company's written consent, unless and to the extent that the Confidential Information is or becomes generally known to and available for use by the public other than as a result of Executive's fault. Executive may disclose Confidential Information in confidence, either directly or indirectly, to a government official, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law, or in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, if Executive files a retaliation lawsuit for reporting a suspected violation of law, Executive may disclose related Confidential Information to her attorney and use Confidential Information in related court proceedings, as long as the individual files documents containing the Confidential Information under seal and does not otherwise disclose the Confidential Information except pursuant to court order.

5.2 **Return of Company Property.** Promptly upon the request of the Company, and in any event, promptly upon the end of the Term of this Agreement, Executive shall (i) discontinue all use of the Confidential Information, and (ii) return all documents, memoranda, notes, plans, records, reports, and other documentation, models, components, devices, or computer software, whether embodied in a disk or in other form (and all copies of all of the foregoing) that contain Confidential Information that Executive may then possess or have under Executive's control.

5.3 **Definitions.** For purposes of this Agreement, "**Confidential Information**" means any information that is possessed by or developed for the Company and which relates to the Company's existing or potential business, which information is not reasonably knowable by the Company's competitors or by the general public through lawful means. Such Confidential Information includes, but is not limited to, information regarding the Company's operations, research and development efforts, plans for products or services, methods of doing business, business strategies, customers, suppliers, service providers, manufacturers, business relations, product prices and costs, markets, marketing plans, budgets and forecasts, financial information and/or inventions, as well as information written, recorded magnetically or electronically or otherwise stored, and may be that which Executive originates as well as that which otherwise comes into possession or knowledge of Executive.

SECTION 6. GENERAL PROVISIONS

6.1 **Governing Law; Venue.** This Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to its choice of law provisions. Any proceeding arising out of or relating to this Agreement shall be brought in the courts of the State of California, or, if it has or can acquire jurisdiction, in the United States District Court for the Central District of California. This provision may be filed with any court as written evidence of the knowing and voluntary irrevocable agreement between Parties to waive any objections to jurisdiction, venue or convenience of forum.

6.2 **Waiver of Breach; No Admission.** The waiver by a Party of any breach of any provision of this Agreement by the other Party shall not operate or be construed as a waiver of any subsequent breach of the same or any other provision hereof by that Party. Nothing contained in this Agreement shall constitute, or be construed as or is intended to be an admission or an acknowledgment by the Company of any wrongdoing or liability, all such wrongdoing and liability being expressly denied.

6.3 **Severability.** The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision. The Parties hereto further agree that any such invalid or unenforceable provision shall be deemed modified so that it shall be enforced to the greatest extent permissible under law, and to the extent that any court or arbitrator of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court or arbitrator may limit this Agreement to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Agreement as limited.

6.4 **Entire Agreement; Amendments.** This Agreement contains the entire understanding of the Parties as to the subject matter hereof and supersedes all prior and contemporaneous oral and written agreements and discussions with respect to the subject matter hereof, including the Offer Letter, with the exception of the provisions of the covenants contained in Sections 4 and 5 which remain in full-force and effect. In executing this Agreement, neither Party relies on any term, condition, promise, or representation other than those expressed in this Agreement.

6.5 **Amendment, Modification or Waiver.** No provision of this Agreement may be amended or waived, unless such amendment or waiver is agreed to in writing, signed by Executive and by a duly authorized officer of the Company. No waiver by any Party of any breach by the other Party of any condition or provision of this Agreement to be performed by such other Party will be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time.

6.6 **Binding Effect; Assignment.** This Agreement shall be binding upon and inure to the benefit of the Parties, their successors and their permitted assigns; provided that Executive shall not assign her rights, duties or obligations hereunder.

6.7 **Notice.** Any notice to be given hereunder will be in writing and will be deemed given when delivered personally, sent by courier or registered or certified mail, postage prepaid, return receipt requested, addressed to the party concerned at the address indicated below or to such other address as such party may subsequently give notice hereunder in writing:

To Executive at: Wendelin Maners
425 Thirtieth Street
Hermosa Beach, CA 90254

To the Company at: MRI Interventions, Inc.
5 Musick
Irvine, CA 92618
Attention: Chief Financial Officer

6.8 **Withholding.** All payments to Executive under this Agreement will be reduced by all applicable withholding required by federal, state or local law.

6.9 **Survival.** Notwithstanding anything herein to the contrary, obligations under this Agreement which by their nature would continue beyond the termination of this Agreement, including without limitation those obligations contained in Sections 1.4 and 2.1, 4,5, and 6.1 through 6.11, as well as Exhibit A, shall survive termination or expiration of this Agreement for any reason.

6.10 **Counterparts.** This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

6.11 **Attorneys' Fees.** The Parties agree that in the event it becomes necessary to seek judicial remedies for the breach or threatened breach of this Agreement, the prevailing Party will be entitled, in addition to all other remedies, to recover from the non-prevailing Party reasonable attorneys' fees and costs upon the entry of a final non-appealable judgment.

6.12 **Section 409A.** By accepting this Agreement, Executive hereby agrees and acknowledges that the Company does not make any representations with respect to the application of Section 409A of the Internal Revenue Code ("Code") to any tax, economic, or legal consequences of any payments payable to Executive hereunder. Further, by the acceptance of this Agreement, Executive acknowledges that (i) Executive has obtained independent tax advice regarding the application of Section 409A of the Code to the payments due to Executive hereunder, (ii) Executive retains full responsibility for the potential

application of Section 409A of the Code to the tax and legal consequences of payments payable to Executive hereunder and (iii) the Company shall not indemnify or otherwise compensate Executive for any violation of Section 409A of the Code that may occur in connection with this Agreement. The Parties agree that, to the extent applicable, this Agreement shall be interpreted and administered in accordance with Section 409A of the Code and that the Parties will cooperate in good faith to amend such documents and to take such actions as may be necessary or appropriate to comply with Section 409A of the Code.

Notwithstanding any other provision of this Agreement to the contrary, to the extent any payments made under this Agreement are treated as non-qualified deferred compensation subject to Section 409A of the Code, then (a) no payments to be made under this Agreement following the Executive's termination of employment shall be made unless the Executive's termination of employment constitutes a "separation from service" within the meaning of Section 1.409A-1(h) of the Treasury Regulations and (b) if Executive is deemed at the time of his separation from service to be a "specified Executive" for purposes of Section 409A(a)(2)(B)(i) of the Code, then to the extent delayed commencement of any portion of any payments upon the Executive's separation from service to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the payments shall not be provided to Executive prior to the earlier of (x) the expiration of the six-month period measured from the date of the Executive's "separation from service" with the Company (as such term is defined in Section 1.409A-1(h) of the Treasury Regulations) or (y) the date of Executive's death. Upon the earlier of such dates, all payments deferred pursuant to this paragraph shall be paid in a lump sum to the Executive, and any remaining payments due under the Agreement shall be paid as otherwise provided herein. The determination of whether the Executive is a "specified Executive" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of her separation from service shall be made by the Company in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Section 1.409A-1(i) of the Treasury Regulations and any successor provision thereto).

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

MRI INTERVENTIONS, INC.

By: /s/ Harold A. Hurwitz

Name: Harold A. Hurwitz

Title: CFO

EXECUTIVE

/s/ Wendelin Maners

Wendelin Maners

FORM OF GENERAL RELEASE

This Release (this "Release"), dated as of March 9, 2018 is made by and among Wendelin Maners ("Executive") and MRI Interventions, Inc. (the "Company"). The Company and Executive are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

WHEREAS, the Parties entered into that certain Transition Agreement dated as of March 9, 2018 (the "Agreement");

WHEREAS, pursuant to Section 2.1 of the Agreement and in consideration of the Company's willingness to provide the Severance Benefits described in Section 2.1, it is an obligation of Executive that she executes and delivers this Release.

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

1. **Executive Release.** In exchange for the promises of the Company to provide the Severance Benefits, as set forth in Section 2.1 of the Agreement, Executive fully and forever relieves, releases, and discharges Company and its predecessors, successors, subsidiaries, operating units, affiliates, and divisions, and the agents, representatives, officers, directors, shareholders, members, Executives and attorneys (collectively, the "Released Parties") from any and all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs, expenses, damages, actions, and causes of action, whether in law or in equity, whether known or unknown, whether suspected or unsuspected, and whether arising from or related in any way to Executive's employment with the Company, her Offer Letter (as defined in the Agreement), the Agreement, and/or Executive's separation from employment or the events leading up to Executive's separation from employment, including but not limited to any and all claims pursuant to Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866, the Equal Pay Act, **the Age Discrimination in Employment Act (ADEA)**, the Americans with Disabilities Act (ADA), the Employee Retirement Income Security Act (ERISA), the National Labor Relations Act (NLRA), the Genetic Information Nondiscrimination Act (GINA), and all other federal, state or local laws or regulations which concern Executive's employment and which exist, or might exist, as of the date of the execution of this Release. This Release also includes, but is not limited to, a release by Executive of any claims for breach of contract, mental pain, suffering and anguish, emotional harm, impairment of economic opportunities, unlawful interference with employment rights, defamation, intentional or negligent infliction of emotional distress, fraud, wrongful termination, wrongful discharge in violation of public policy, wrongful demotion, breach of any express or implied covenant of good faith and fair dealing, claims that Company has dealt with Executive unfairly or in bad faith, and all other common law contract and tort claims. Executive understands that she is not waiving any rights or claims that may arise after this Release is signed by Executive, nor is she waiving any claims that cannot be waived as a matter of law, including certain wage claims under the Fair Labor Standards Act (FLSA) or California law, claims under any applicable workers' compensation laws, or claims under unemployment compensation laws. In addition, the Parties expressly agree that this Release does not include a waiver of any claim arising out of the breach of this Release by the Company. Furthermore, Executive understands that she is not giving up the right to file a Charge of Discrimination with the Equal Employment Opportunity Commission (EEOC) or the state department of Fair Employment and Housing. However, Executive is expressly releasing and waiving any right to obtain monetary or other relief relating to such a charge or subsequent lawsuit filed by the EEOC. Executive agrees to turn over to the Company any such monetary relief obtained by the EEOC (or any other third party) on behalf of the Executive for any claim waived herein.

Executive also specifically acknowledges that she has been advised by legal counsel and/or is familiar with the provisions of § 1542 of the California Civil Code, which provide as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HER MUST HAVE MATERIALLY AFFECTED HER SETTLEMENT WITH THE DEBTOR.

To the extent (if any) this Code section applies, Executive hereby expressly waives and relinquishes any rights or benefits Executive may have thereunder, as well as under any other state or federal statutes of common law principles of similar effect.

2. No Admission of Liability. Executive acknowledges that nothing in this Release is intended to, shall constitute evidence of, or shall be construed as an admission by the Company that the Company violated any law, rule, or regulation, interfered with any right, breached any obligation, or otherwise engaged in any improper or illegal conduct.

3. Non-Disparagement. Executive agrees that she will not disparage or speak unfavorably about the Company to third parties or in public or otherwise take any action or make any comment whatsoever that would harm, injure, or potentially harm, or injure the goodwill of the Company. Executive acknowledges that nothing within this Section 3 or this Release is intended to prevent her from making truthful reports to governmental agencies with oversight authority over the Company.

4. No Current Claims; Covenant Not to Sue Executive represents and warrants that Executive has not filed any complaint(s) or charge(s) against the Company or the other Released Parties with the EEOC or the state commission empowered to investigate claims of employment discrimination, the United States Department of Labor, or with any other local, state, or federal agency or court or that Executive has disclosed in writing to the Company any such complaint(s) or charge(s).

5. Acknowledgement of Waiver of Claims under ADEA. Executive acknowledges that this Release waives any and all claims that Executive may have under **the ADEA** for claims arising prior to the execution of this Release and that Executive's agreement to waive such claims and all other claims released under the terms of this Release is made knowingly and voluntarily. Executive acknowledges that Executive would not be entitled to the Severance Benefits but for Executive's non-revoked execution of this Release. Executive further acknowledges that (a) she has been advised **that she should consult with an attorney** prior to executing this Release, (b) she has been given **twenty-one (21) days within which to consider this Release** before executing it, and (c) she has been given at least **seven (7) days** following the execution of this Release **to revoke this Release** (the "Revocation Period").

6. Acknowledgment. Executive acknowledges that she understands the terms of this Release and that Executive has executed this Release knowingly and voluntarily. Executive further acknowledges that, in consideration for the covenants and releases contained herein, she will receive the Severance Benefits described in Section 2.1 of the Agreement and that she would not receive such Severance Benefits without the execution of this Release. Executive also acknowledges that **this Release shall not become effective until the expiration of the Revocation Period.**

7. Severability. All provisions of this Release are intended to be severable. In the event any provision or restriction contained herein is held to be invalid or unenforceable in any respect, in whole or in part, such finding shall in no way affect the validity or enforceability of any other provision of this Release. The Parties further agree that any such invalid or unenforceable provision shall be deemed modified so that it shall be enforced to the greatest extent permissible under law, and to the extent that any

court or arbitrator of competent jurisdiction determines any restriction herein to be unreasonable in any respect, such court or arbitrator may limit this Release to render it reasonable in the light of the circumstances in which it was entered into and specifically enforce this Release as limited.

8. Specific Performance. If a court of competent jurisdiction determines that Executive has breached or failed to perform any part of this Release, the Executive agrees that Company shall be entitled to seek injunctive relief to enforce this Release, to the extent permitted by applicable law.

9. No Waiver. Should the Company fail to require strict compliance with any term or condition of this Agreement, such failure shall not be deemed a waiver of such terms or conditions, nor shall the Company's failure to enforce any right it may have preclude it from thereafter enforcing its rights under this Release.

10. Attorneys' Fees. The Parties agree that in the event it becomes necessary to seek judicial remedies for the breach or threatened breach of this Agreement, the prevailing Party will be entitled, in addition to all other remedies, to recover from the non-prevailing Party reasonable attorneys' fees and costs upon the entry of a final non-appealable judgment.

11. Governing Law. This Release shall be governed by and construed in accordance with the laws of the State of California without reference to principles of conflict of laws.

IN WITNESS WHEREOF, the parties hereto have executed this Release as of the day and year first written above.

MRI INTERVENTIONS, INC.

By: /s/ Harold A. Hurwitz

Name: Harold A. Hurwitz

Title: CFO

EXECUTIVE

/s/ Wendelin Maners

Wendelin Maners

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) UNDER
THE SECURITIES EXCHANGE ACT OF 1934**

I, Joseph M. Burnett, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2018, of MRI Interventions, Inc.;
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 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 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 registrant, including its consolidated subsidiaries, 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 the 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 control 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 control over financial reporting.

Date: May 15, 2018

/s/ Joseph M. Burnett
Joseph M. Burnett
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) UNDER
THE SECURITIES EXCHANGE ACT OF 1934**

I, Harold A. Hurwitz, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2018, of MRI Interventions, Inc.;
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 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 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 registrant, including its consolidated subsidiaries, 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 the 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 control 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 control over financial reporting.

Date: May 15, 2018

/s/ Harold A. Hurwitz

Harold A. Hurwitz
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(b) UNDER
THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 1350 OF
CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE**

Each of the undersigned, Joseph M. Burnett and Harold A. Hurwitz, certifies pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code, that (1) this quarterly report on Form 10-Q for the quarter ended March 31, 2018, of MRI Interventions, Inc. (the "Company") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, and (2) the information contained in this quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2018

/s/ Joseph M. Burnett

Joseph M. Burnett
Chief Executive Officer

/s/ Harold A. Hurwitz

Harold A. Hurwitz
Chief Financial Officer
