

WellQuest Medical & Wellness Corporation

Annual Report for the Fiscal Years Ended

December 31, 2014 and 2013

FORWARD-LOOKING STATEMENTS

This Annual Report of WellQuest Medical & Wellness Corporation contains forward-looking statements, particularly those identified with the words, “anticipates,” “believes,” “expects,” “plans,” “intends,” “objectives” and similar expressions. These statements reflect management's best judgment based on factors known at the time of such statements. The reader may find discussions containing such forward-looking statements in the material set forth under “Legal Proceedings” and “Management's Discussion and Analysis of Financial Condition and Results of Operations,” generally, and specifically therein under the captions “Liquidity and Capital Resources” as well as elsewhere in this Annual Report. Actual events or results may differ materially from those discussed herein.

Part A – General Company Information

Item 1. Exact name of the issuer and its predecessor(s), if any.

The exact name of the issuer is WellQuest Medical & Wellness Corporation (“the Company” or “we”). The issuer did not acquire capital or assets from a predecessor during the preceding five year period.

Item 2. The address of the issuer's principal executive offices.

The address of the issuer's principal executive offices is as follows:
3400 SE Macy Rd., Suite 18
Bentonville, Arkansas 72712
Phone: (479) 845-0880
Fax: (479) 845-0887
Website: www.wellquestmedical.com

Investor Relations Contact:
Steve Swift, President and CEO
3400 SE Macy Rd., Suite 18
Bentonville, Arkansas 72712
Phone: (479) 845-0880
sswift@wellquestmedical.com

Item 3. The jurisdiction(s) and date of the issuer's incorporation or organization

We were incorporated in the State of Oklahoma on November 8, 2004 as HQHealthQuest Medical & Wellness Centers, Ltd. We changed our name to WellQuest Medical & Wellness Corporation on April 24, 2008. We incorporated a wholly owned subsidiary in the State of Arkansas on May 5, 2005 as WellQuest Medical & Wellness Centers of Arkansas, Inc., which was subsequently re-registered as WellQuest of Arkansas, Inc. We formed WellQuest of Tulsa, LLC in March 2012, which is 65% owned by us. We incorporated WellQuest of Oklahoma, Inc., a wholly owned subsidiary, in the state of Oklahoma on March 5, 2013.

Part B – Share Structure

Item 4. The exact title and class of securities outstanding

Common Stock
Class: Common Stock
CUSIP: 94973Q
Trading symbol: WEQL

Convertible Preferred Stock – Series A
Class: Preferred Stock

Item 5. Par or stated value and description of the security

Common Stock – Par Value: $0.001 per share

We are authorized to issue up to 150,000,000 shares of common stock, par value $0.001. Holders of the common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of funds legally available. Upon the liquidation, dissolution, or winding up of our Company, the holders of common stock are entitled to share ratably in all of our assets which are legally available for distribution after payment of all debts and other liabilities and liquidation preference of any outstanding common stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights.

Convertible Preferred Stock – Series A – Par Value: $0.01 per share

We are authorized to issue up to 75,000 shares of Series A preferred stock, par value $0.01. The holders of the preferred stock shall be entitled to one vote per share with respect to any matter brought before the stockholders and enjoy the same voting rights as common stockholders. The holders of the preferred stock shall have no dividend preference over the Company's common stock. In the event the board of directors shall ever declare a dividend, the holders of the preferred stock shall be entitled to participate in such dividend, pro rata, to the same extent as any holder of the common stock on which such dividend may be declared.

In the event of any liquidation, dissolution, or winding-up of the Company (including a change of control), the holders of the preferred stock shall be entitled to receive, out of the remaining assets of the Company, the liquidation value in cash for each of the shares of preferred stock they then hold. These distributions will be made prior to any distributions to other stockholders. Any amounts remaining after such distributions will be distributed to the holders of the common stock and the preferred stock on parity with each other (on an as-converted basis). In the event the Company at any time or from time to time after the original issue date shall declare or pay any dividend on the preferred stock payable in preferred stock, or effect a subdivision or combination of the outstanding shares of preferred stock (by reclassification or otherwise than by payment of a dividend in preferred stock), then and in any such event, the liquidation value shall be proportionately decreased in the case of a stock dividend or subdivision and proportionately increased in the case of a combination of shares effective, in the case of such dividend, immediately after the close of business on the record date for the determination of holders of preferred stock entitled to receive such dividend or, in the case of a subdivision or combination, at the close of business immediately prior to the date upon which such corporate action becomes effective.

Holders of shares of preferred stock have the right to convert their shares, at any time, into shares of common stock. The conversion rate is determined by multiplying the number of preferred shares to be converted by $22.22 and dividing the result by the conversion price then in effect (currently $0.08888). At the option of the Company, all (but not less than all) of the shares of preferred stock may be converted into shares of common stock at the then applicable conversion price in any of the following events: (i) upon the Company having positive cumulative earnings before interest, depreciation, taxes and amortization ("EBITDA") of a least $750,000 over four consecutive rolling calendar quarters; (ii) upon the closing of a qualifying offering, i.e., receipt by the Company of proceeds from a private placement of its securities of not less than $3,000,000 on terms acceptable to the holders of a majority of the issued and outstanding common stock at such time; or (iii) upon the closing of a public offering. Such conversion will utilize the same conversion rate as described above.

Item 6. The number of shares or total amount of the securities outstanding for each class of security.

Common Stock:

	As of December 31, 2014	As of December 31, 2013
Number of shares authorized	150,000,000	150,000,000
Number of shares outstanding	35,776,951	33,567,307
Freely tradable shares	5,599,798	5,599,798
Total number of beneficial shareholders	34	34

Convertible Preferred Stock – Series A:

	As of December 31, 2014	As of December 31, 2013
Number of shares authorized	75,000	75,000
Number of shares outstanding	25,515	25,515
Freely tradable shares	-	-
Total number of beneficial shareholders	12	12

Part C – Business Information

Item 7. The name and address of the transfer agent.

The transfer agent of our common stock is:
Continental Stock Transfer & Trust Company
17 Battery Place
New York, New York 10004
Phone: (212) 509-4000

Continental Stock Transfer has registered under the Securities Exchange Act of 1934. The regulatory authority for the transfer agent is the Securities and Exchange Commission and the New York State Banking Department.

Item 8. The nature of the issuer's business

WellQuest Medical & Wellness Corporation ("WellQuest") was incorporated in the state of Oklahoma on November 8, 2004. We incorporated a wholly owned subsidiary in the State of Arkansas on May 5, 2005 as WellQuest Medical & Wellness Centers of Arkansas, Inc., which was subsequently re-registered as WellQuest of Arkansas, Inc. We formed WellQuest of Tulsa, LLC in March 2012, which is 65% owned by us. We formed WellQuest of Oklahoma, Inc., a wholly owned subsidiary, in the state of Oklahoma on March 5, 2013. Our fiscal year end date is December 31st. Our primary SIC Code is 8090.

We provide an integrated medical delivery site with family physician healthcare services, preventive/wellness services and medical skin-care services. The integration of these services embraces the clinical synergy of medical treatments for illness, preventive/wellness services and products for health maintenance and medically supervised skin-care treatments for aesthetic enhancement.

Our integrative medical center is open daily from 8 am to 8 pm (noon to 6 pm on Sunday), providing our clients with the ability to be seen and treated seven days a week. We offer our services with and without appointments, corporate wellness and occupational health services for business, preventive health alternatives (such as life-style counseling, weight loss and nutritional counseling, fitness counseling, vitamin and supplement therapies and disease management counseling) and aggressive medical aesthetics (such as laser treatments, injections, chemical peels and therapeutic massages). Utilizing electronic medical records, digital radiology and diagnostic testing, and customer service protocols, we intend to brand and replicate the service center in demographically selected metropolitan areas. We manage the physician practices, own and lease certain medical equipment and personnel services, own and operate preventive care products and services and own and manage medical spa services and product sales.

Our service concept will initially target segments of metropolitan areas in the United States with household incomes above $75,000, business occupational healthcare and wellness needs, wellness oriented consumers and those seeking aesthetic/skincare improvements. Health insurance companies are billed for allowed medical services and cash or credit cards are accepted for noncovered services.

WellQuest Medical & Wellness Corporation's wholly owned subsidiary, WellQuest of Arkansas entered into a Management and Medical Services Agreement with Northwest Arkansas Primary Care Physicians, P.A. ("NWAPCP") pursuant to which NWAPCP was granted exclusive rights to operate medical practices in the current center and all future sites that WellQuest of Arkansas might open in Northwest Arkansas. As a result, NWAPCP was responsible for hiring all physicians, physician's assistants and nurse practitioners who operate in the medical clinic. The proceeds from the practice were assigned to WellQuest of Arkansas. From those proceeds, WellQuest of Arkansas paid NWAPCP and all expenses associated from the conduct of the practice. WellQuest of Arkansas received a monthly management fee of 7.5% of the practice's net revenues, and after all practice loans and interest are repaid in full, received a performance bonus as a share of any practice operating profits after physician compensation and all practice operating expenses were paid. All remaining profits were paid to NWAPCP.

WellQuest determined that NWAPCP qualified for consolidation, as WellQuest was the primary beneficiary of the operations of the clinic after physician compensation pursuant to the terms of the management agreement. As a result, the operations of the clinic, primarily clinic revenues and expenses, were consolidated into WellQuest for financial statement reporting purposes. All significant intercompany accounts and transactions have been eliminated. For each period presented, NWAPCP's profits paid or payable to its owners are reported as physician compensation in clinic direct expenses.

The Company and NWAPCP did not renew the Management and Medical Services Agreement after it expired on August 31, 2014. The Company entered into a new Management and Medical Services Agreement on September 1, 2014 with Arkansas Medical & Wellness, P.A. ("AMWPA"). The agreement with AMWPA contains similar terms to the one discussed below with Primary Care Physicians of Tulsa Region, P.C.

WellQuest determined that AMWPA qualifies for consolidation, as WellQuest was the primary beneficiary of the operations of the clinic after physician compensation pursuant to the terms of the management agreement. As a result, the operations of the clinic, primarily clinic revenues and expenses, were consolidated into WellQuest for financial statement reporting purposes. All significant intercompany accounts and transactions have been eliminated. For each period presented, AMWPA's profits paid or payable to its owners are reported as physician compensation in clinic direct expenses.

WellQuest Medical & Wellness Corporation's majority owned subsidiary, WellQuest of Tulsa entered into a Management and Medical Services Agreement with Primary Care Physicians of Tulsa Region, P.C. ("PCP of Tulsa") pursuant to which PCP of Tulsa was granted exclusive rights to operate medical practices in the newly constructed center in Tulsa, Oklahoma. As a result, PCP of Tulsa is responsible for hiring all physicians, physician's assistants and nurse practitioners who operate in the medical clinic. The proceeds from the practice are assigned to WellQuest of Tulsa. From those proceeds, WellQuest of Tulsa pays PCP of Tulsa and all expenses associated from the conduct of the practice. WellQuest of Tulsa receives a monthly management fee of 7.5% of the practice's net revenues, a monthly billing and collections fee of 6% of the practice's

net collections, and after all practice loans and interest are repaid in full, receives a performance bonus as a share of any practice operating profits after physician compensation and all practice operating expenses are paid. All remaining profits are paid to PCP of Tulsa.

WellQuest determined that PCP of Tulsa qualifies for consolidation, as WellQuest is the primary beneficiary of the operations of the clinic after physician compensation pursuant to the terms of the management agreement. As a result, the operations of the clinic, primarily clinic revenues and expenses, were consolidated into WellQuest for financial statement reporting purposes. All significant intercompany accounts and transactions have been eliminated.

Because the accounts of PCP of Tulsa are consolidated with WellQuest, loans to fund PCP of Tulsa's operating losses are eliminated and reported as expenses in the consolidated financial statements. Operating profits of PCP of Tulsa used to reduce its debt to WellQuest are eliminated and reported as operating profits in the consolidated financial statements. For each period presented, PCP of Tulsa's profits paid or payable to its owners are reported as physician compensation in clinic direct expenses.

Neither the Company nor any predecessor has:

- Been in bankruptcy, receivership, or any similar proceeding;
- Recognized any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets;
- Realized any change of control;
- Declared or executed a recapitalization, merger, acquisition, spin-off, or re-organization; or
- Been a shell company.

Defaults Upon Senior Securities

On September 14, 2012 and July 3, 2013, we entered into bank loans that are secured by substantially all of our WellQuest of Tulsa assets. As of December 31, 2014, we are current on monthly payments to the bank regarding these loans. However, under the terms of the notes issued thereunder, we are obligated to maintain a debt service coverage ratio of 1.25:1. As of December 31, 2014, we were not in compliance with the debt service coverage ratio and continue to remain non-compliant. The Company obtained a written waiver of said covenant for the year ended December 31, 2014. If the Company does not meet the debt service coverage ratio in the future, we cannot assure you that the bank will not declare an event of default. In the event the bank declares an event of default, we would be unable to repay the amount of the notes outstanding. As a result, the bank would have the right to take possession of the collateral, to operate our business using the collateral, and would have the right to assign, sell, lease or otherwise dispose of and deliver all or any part of the collateral, at public or private sale or otherwise to satisfy our obligations under the notes.

Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise that could harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

Governmental Regulations

The healthcare industry is subject to extensive and frequently changing federal, state and local regulations. Changes in applicable laws or any failure to comply with existing or future laws, regulations or standards could have a material adverse effect on our results of operations, financial condition, business and prospects. We believe our current arrangements and practices are in material compliance with applicable laws and regulations, but there can be no assurance that we are in compliance with all applicable existing laws and regulations or that we will be able to comply with new laws or regulations.

At the current time, we, AMWPA and PCP of Tulsa comply with all Arkansas and Oklahoma laws pertaining to the practice of medicine, physician licensure, registration of ancillary laboratory and radiology services and the licensure of all allied health personnel we employ. There are no Certificate of Need laws in the State of Arkansas or Oklahoma applying to physician office practices. We, AMWPA and PCP of Tulsa provide outpatient services and are therefore not involved in utilization review activities. The practices are certified to participate in the Medicare program for their services. PCP of Tulsa does participate in the state of Oklahoma Medicaid programs. The failure to obtain, renew or maintain any of the required licenses, registrations or certifications could adversely affect our business.

The Health Insurance Portability and Accountability Act of 1996, or HIPAA, governs electronic healthcare transactions and the privacy and security of medical records and other individually identifiable patient data. Any failure to comply with HIPAA could result in criminal penalties and civil sanctions.

A component of our business relies on reimbursement by government payors, such as state employee benefit plans, and

that business is subject to particularly pervasive regulation by those agencies. These regulations impose stringent requirements for provider participation in those programs and for reimbursement of products and services. Additionally, we are subject to periodic audits or investigations by the Centers for Medicare and Medicaid Services, or CMS, and/or its intermediaries, of our compliance with those requirements, and any deficiencies found may be extrapolated to cover a larger number of reimbursement claims. Additionally, many applicable laws and regulations are aimed at curtailing fraudulent and abusive practices in relation to those programs. These rules include the illegal remuneration provisions of the Social Security Act (sometimes referred to as the "Anti-Kickback" statute), which impose criminal and civil sanctions on persons who knowingly and willfully solicit, offer, receive or pay any remuneration, whether directly or indirectly, in return for, or to induce, the referral of a patient covered by a federal healthcare program to a particular provider of healthcare products or services. Related federal laws make it unlawful, in certain circumstances, for a physician to refer patients covered by federal healthcare programs to a healthcare entity with which the physician and/or the physician's family have a financial relationship. Additionally, a large number of states have laws similar to the federal laws aimed at curtailing fraud and abuse and physician "self-referrals." These rules have been interpreted broadly such that any financial arrangement between a provider and potential referral source may be suspect. While we believe our business arrangements are in compliance with these laws and regulations, the government could take a contrary position or could investigate our practices.

The Patient Protection and Affordable Care Act of 2010 was implemented during 2014. At this time, the mandate for health insurance policies to provide certain wellness services and the potential of the law to result in as many as 30 million more Americans to have some form of health insurance could create a huge demand for primary care medical services and shortage of primary care practitioners to provide the services.

In addition to the laws described above, the Federal False Claims Act imposes civil liability on individuals or entities that submit false or fraudulent claims for payment to the government. HIPAA created two new federal crimes: "Healthcare Fraud" and "False Statements Relating to Healthcare Matters." The Healthcare Fraud statute prohibits knowingly and willfully executing a scheme or artifice to defraud any healthcare benefit program. The False Statements Relating to Healthcare Matters statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact by any trick, scheme or device or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. The Federal False Claims Act allows actions to be brought on the government's behalf by individuals under the Federal False Claims Act's "qui tam" provision. Violation of these and other applicable rules can result in substantial fines and penalties, required repayment of monies previously recognized as income, as well as exclusion from future participation in government-sponsored healthcare programs.

There can be no assurance that we will not become the subject of a regulatory or other investigation or proceeding or that our interpretations of applicable laws and regulations will not be challenged. The defense of any such challenge could result in adverse publicity, substantial cost to us and diversion of management's time and attention. Thus, any such challenge could have a material adverse effect on our business, regardless of whether it ultimately is sustained.

Research and Development

The development of our health management programs and refinements to our operations are the result of cooperative efforts of our information technology, clinical, operating and marketing staffs. Currently, there are no formal clinical research activities which we conduct. The Medical Directors and our staff members engage in development of protocols and specific programs that integrate nutrition, wellness, prevention and nutraceuticals with conventional medical services. All activities are included in the responsibilities of the existing staff and budget.

Employees

As of March 16, 2015, we had 44 employees, of which 33 are full-time and 11 are part-time at our Northwest Arkansas facility and we had 18 employees, of which 10 are full-time and 8 are part-time at our Tulsa facility. All physician services are provided by physicians, physician's assistants, and nurse practitioners employed by AMWPA or PCP of Tulsa and are not included in the number of employees disclosed above. We consider our relations with our employees to be good.

Compliance with Environmental Laws

Any costs or effects associated with compliance with environmental laws are incidental and not material to our operations.

Item 9. The nature of products or services offered.

We own and operate two medical aesthetics businesses, retail skincare and nutraceutical product businesses and a practice management business. In addition, we own the long-term lease for our center and have completed improvements in the facility that houses the aesthetics business, the retail business and the medical practice of AMWPA and we own the facility constructed in Tulsa, Oklahoma during 2013 that houses the aesthetics business, the retail business and the medical practice of PCP of Tulsa. We own all of the equipment utilized in the aesthetics and the medical practices, and we employ all nonphysician employees who work in the aesthetics departments, the medical practices and the management company.

Our business model depends primarily upon a retail market approach for generating customers. We generate business through marketing and advertising, direct sales of corporate wellness and occupational medical services to companies (flu shots, worker injury treatment services, drug testing, and health promotion programs), public relations efforts with local charities, city and county organizations, hospitals and medical providers, networking and promotional events and open houses. Internal marketing includes brochures, posters, magazines, health promotion articles, and educational materials that point to our services. The integrated service areas of the sites (medical clinic, wellness services and medical spa) actively cross educate clients on the services available within the service site. Once we have a new client, client follow-up, client referral programs and return visits are utilized to maintain and grow our business. To assure broad access of insured clients in the medical service area, we participate in contracts with virtually all commercial health insurance plans and company self-insured health plans in the market, and, in the Medicare Program, making our services fully reimbursable for many of the clients who choose us. At the present time, we do not participate in pre-paid or HMO plans, since we do not believe there is a significant presence of those plans in our market.

Competitors

We face competition from numerous healthcare service organizations, ranging from small independent local doctor and wellness offices to larger companies with offices nationwide. We are not aware of any other company that provides the specific integrated range of services we provide, and as a result, we believe our competitors may compete against us in one or two of our three main services provided. At the present time, we believe that there are no dominant competitors in the integrated medical healthcare, preventive/wellness and medical skin-care services but we would classify regional competitors as St. John's Health Systems, Saint Francis Health Systems, HillCrest Healthcare System, Mana Medical Associates, Northwest Health Systems, Mercy Medical Clinics and Wellness and Skin Therapy Center and national competitors as Radiance MedSpa Franchise Group and Sona Med Spas.

Item 10. The nature and extent of the issuer's facilities.

We maintain our principal office at 3400 SE Macy Rd., #18, Bentonville, Arkansas 72712. Our telephone number at that office is (479) 845-0880 and our facsimile number is (479) 845-0887. Our office space in Northwest Arkansas is leased with a base cost of $15,256 per month and run through September 2015 with options for additional lease terms. The space consists of approximately 6,956 square feet. Additionally, we lease an additional two spaces totaling 2,900 square feet at a cost of $3,400 per month for administrative and billing services which were previously housed in the medical clinic service space. The leases for these spaces run through August and September 2015. Our office space in Tulsa, Oklahoma is owned by us. The space consists of approximately 10,414 square feet. Should we need additional space in Northwest Arkansas or Tulsa due to the continued growth of the medical services, we do not anticipate any difficulty securing alternative or additional space on terms acceptable to us.

Part D – Management Structure and Financial Information

Item 11. The name of the chief executive officer, members of the Board of Directors, as well as control persons

Names:	Ages	Titles:	Board of Directors
Steve Swift	68	Chief Executive Officer	Director
Josh Estes	35	Chief Financial Officer	
Curtis Rice*	38	Vice President and Treasurer	Director
John O'Connor	60	Secretary	Director
Robert J. Zasa	64		Director
Christopher Skoog	50		Director

*Mr. Rice is the son-in-law of Mr. Swift.

The business address for all officers and directors is 3400 SE Macy Road, Suite 18, Bentonville, Arkansas 72712. The number and class of the issuer's securities beneficially owned by each officer and director is disclosed in Item 14 of this report.

None of the foregoing persons have, in the last five years, been the subject of the following:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended or

otherwise limited such person's involvement in any type of business or securities activities

Directors are elected to serve until the next annual meeting of stockholders and until their successors are elected and qualified. Currently there are five seats on our Board of Directors. Officers are elected by the Board of Directors and serve until their successors are appointed by the Board of Directors. Biographical resumes of each officer and director are set forth below.

Steve Swift has been our President, CEO and Chairman of the Board of Directors since November 2004. Between July 2004 and October 2004, Mr. Swift worked independently towards the development of the Company. Between May 2000 and June 2004, Mr. Swift was the Chief Administrative Officer and Executive Director of Springer Clinic, Inc., a Tulsa, Oklahoma based medical treatment facility. Mr. Swift received his Bachelor of Arts degree in Sociology from Texas Christian University in 1970, his Masters degree in Healthcare Administration from Trinity University in 1974 and did his residency at Baylor University Medical Center in 1973-1974.

Josh Estes has been our Chief Financial Officer since October 2011. Prior to joining WellQuest Medical & Wellness Corporation as Chief Financial Officer, Mr. Estes worked for Ernst & Young LLP from July 2003 to October 2005 and for HoganTaylor LLP from October 2005 to July 2010. In addition to working for WellQuest, Mr. Estes is also currently a partner with Becky Estes & Company, P.A. Mr. Estes has nearly twelve years of experience providing audit and accounting services to publicly and privately held clients in numerous industries, including medical, manufacturing, retail, poultry and transportation. Mr. Estes is a Certified Public Accountant. He received his Bachelor of Science in Business Administration from the Sam Walton College of Business at the University of Arkansas in 2002, and his Master of Accountancy from the Sam Walton College of Business at the University of Arkansas in 2003.

Curtis Rice has been our Vice President since helping found the Company in 2001 and has been our Treasurer since 2011, but has held various other roles as WellQuest continues to grow. From 2006 through 2014, Mr. Rice has been the Natural Gas Energy Trading Manager for Gavilon LLC, a Omaha based commodity hedge fund. Mr. Rice worked for Williams Power Company, a Tulsa, Oklahoma based energy production company in various positions, including Natural Gas Manager (December 2003 to July 2006), Power Transmission Manager (December 2002 to July 2006), Global Energy Manager (May 2002 to December 2002), NGL/Olefin Trader Manager, Structured Analyst Manager, Weather Derivative Trader, Risk Analyst and Value at Risk. Mr. Rice received his Masters in Business Administration from University of Tulsa in 2001 and his Bachelor of Science degree in Business Administration from Oklahoma State University in 1999.

John O'Connor has been our Secretary and a member of the Board of Directors since November 2004. Since 2001, Mr. O'Connor has been the Chairman of the law firm Newton, O'Connor, Turner & Ketchum, based in Tulsa, Oklahoma. Mr. O'Connor has been a director of 3DIcon Corporation, a Tulsa, Oklahoma based public company. Mr. O'Connor received his Bachelor of Arts degree in Political Science from Oklahoma State University in 1977 and his Juris Doctorate degree from University of Tulsa College of Law in 1980.

Robert J. Zasa has been a member of the Board of Directors since April 2005. Since June 1996, Mr. Zasa has been the founder and Partner of Woodrum/Ambulatory Systems, a Los Angeles, California based ambulatory and outpatient care company. Mr. Zasa was the founder, President and CEO of Premier Ambulatory Systems, Inc., an owner and operator of ambulatory surgery centers, Vice President of American Medical International and Chief Operating Officer of AMI Ambulatory Surgery Centres, Inc. Mr. Zasa is an Adjunct Faculty Member of the Graduate Program in Health Services Administration at the University of Alabama in Birmingham, and serves as a guest lecturer on ambulatory healthcare topics at the UCLA School of Public Health. Mr. Zasa earned a Master's of Science degree in hospital and health administration from the University of Alabama Birmingham.

Christopher R. Skoog, is currently a private investor and entrepreneur. He served as Senior Vice President of EPE Holdings, LLC. Mr. Skoog served as Senior Vice President of Natural Gas Services & Marketing - Enterprise Products Holdings LLC from November 22, 2010 until April, 2012. He served as the Senior Vice President - Natural Gas Services and Marketing group of Enterprise Products GP LLC - General Partner of Enterprise Products Partners LP. from July 2, 2007. Mr. Skoog served as the President of interstate natural gas pipelines segment at ONEOK Partners, L.P. He was responsible for all of Enterprise's existing natural gas supply and marketing activities, including supply, origination and optimization. He served as the President of Interstate Natural Gas Pipelines since April 2006. Mr. Skoog was responsible for all commercial, operational and regulatory functions of the Partnership's natural gas businesses and coordinated the Partnership's business development initiatives. Mr. Skoog served as an Executive Vice President of Transcan Northwest Border Ltd. (also called as Northern Plains Natural Gas Company LLC), a General Partner of ONEOK Partners, L.P., Northern Border Partners LP, Northern Border Pipeline Co. and NBP Services LLC since February 1, 2005. Mr. Skoog served as President, ONEOK Energy Marketing and Trading Company II., a subsidiary of ONEOK Inc. from 1999 to February 1, 2005. Mr. Skoog served as Vice President, ONEOK Gas Marketing Company from 1995 to 1999. He has more than 20 years of managerial experience in natural gas marketing, has established a long track record of developing programs that increase and maximize the use of company assets to meet customer needs. Mr. Skoog holds a bachelor’s degree in Business Administration from Drake University in Des Moines, Iowa, and also attended Ealing College of Higher Education in London, England.

Audit Committee and Audit Committee Financial Expert

Our Board of Directors does not currently have any committees. All functions ordinarily performed by committees are performed by the Board of Directors as a whole.

Summary Compensation Table

The following tables set forth compensation information for our Chief Executive Officer for the fiscal years ended December 31, 2014 and 2013.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Nonequity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)		Total ($)
Steve Swift, President and CEO	2014	$ 120,000	$ -	$ -	$25,200	$ -	$ -	$ 27,040	(1)	$ 172,240
	2013	$ 120,000	$ -	$ -	$ -	$ -	$ -	$ 21,418	(2)	$ 141,418

(1) Includes $22,118 for health, dental, life and key-man life insurance and $4,922 for a vehicle lease.
(2) Includes $16,496 for health, dental, life and key-man life insurance and $4,922 for a vehicle lease.

Employment Agreements

On January 1, 2005, we entered into an employment agreement with Steve Swift, our President and CEO. Pursuant to the terms of the agreement, Mr. Swift was employed by us for an initial term of five years from the effective date of the agreement. The agreement automatically renews for successive two year terms. The current term expires January 1, 2016. Mr. Swift received an annual base salary of $180,000 a year, $60,000 of which was deferred due to debt covenant restrictions. Mr. Swift is entitled to receive an increase to his base salary and receive certain bonuses to be determined by the Board of Directors based upon the performance of the Company during each calendar year. Mr. Swift's salary and bonus schedule is reviewed by the Board of Directors on an annual basis. Mr. Swift shall be entitled to four weeks paid vacation. The Company may terminate his employment (i) with cause, upon a determination by a majority of the Board of Directors or (ii) without cause, at any time, for any reason whatsoever and without prior notice. Mr. Swift may voluntarily terminate his employment at any time for cause or without cause upon not less than 30 days written notice. During the term of his employment and for a period thereafter, Mr. Swift will be subject to noncompetition and nonsolicitation provisions, subject to standard exceptions. The agreement was amended on October 29, 2008, pursuant to which Mr. Swift's annual base salary was reduced to $120,000 per year until the Board determines otherwise.

Option Grants in Last Fiscal Year

The following table sets forth information regarding the number of stock options granted to named executive officers during 2014. No stock options were granted to the named executive officer in 2013.

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value ($/Sh)
Steve Swift	May 14, 2014	450,000	$ 0.056	$ 0.056

Outstanding Equity Awards at Fiscal Year-End Table.

The following table sets forth information for the named executive officers regarding the number of shares subject to both exercisable and unexercisable stock options, as well as the exercise prices and expiration dates thereof, as of December 31, 2014.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Steve Swift	1,151,917	-	-	$0.0352	12/21/2016	-	-	-	-
Steve Swift	-	233,334	-	$0.0088	01/23/2017	-	-	-	-
Steve Swift	200,000	250,000	-	$0.0560	05/14/2024	-	-	-	-

Director Compensation

Our directors are elected by the vote of a majority in interest of the holders of our voting stock and hold office until the expiration of the term for which he or she was elected and until a successor has been elected and qualified.

A majority of the authorized number of directors constitutes a quorum of the Board of Directors for the transaction of business. The directors must be present at the meeting to constitute a quorum. However, any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board of Directors individually or collectively consent in writing to the action.

The following table sets forth summary information concerning the total compensation incurred in 2014 for our directors for services to our company. No compensation was paid to nonemployee directors for services to our company during 2013.

Name	Fees Earned or Paid in Cash	Option Awards ($)	Total ($)
Steve Swift (1)	$ -	$ 25,200	$ 25,200
Curtis Rice (2)	-	11,200	11,200
John O'Connor (2)	-	11,200	11,200
Robert Zasa (2)	-	11,200	11,200
Total	$ -	$ 58,800	$ 58,800

(1) 450,000 options were outstanding as of December 31, 2014, of which 200,000 were then currently exercisable. The remaining 250,000 options are subject to a vesting schedule that ranges from May 2014 to May 2017. The options terminate in May 2024.

(2) 200,000 options were outstanding as of December 31, 2014, of which all were then currently exercisable. The options terminate in May 2024.

Related Party Transactions/Conflicts of Interest among the Issuer, the Chief Executive Officer, members of the board of directors, as well as control persons.

The following related party transactions are fully disclosed in the attached financial statements and related footnotes:

During 2012, the Company converted payables to the Company's CEO and majority stockholder totaling $34,476 to a note payable. The note payable bears interest at 5% and was scheduled to mature January 2014. On March 26, 2014, the maturity date of the note payable was extended to December 31, 2014 and interest incurred on the balance increased to 7% per annum. In January 2015, the maturity date of the note payable was extended to December 31, 2015. The note payable does not require specified monthly payments. During 2014, the Company made net payments totaling $15,000 on the note payable. No payments were made on the amount borrowed in 2013.

At December 31, 2014 and 2013, the Company incurred expenses of $27,363 and $17,218, respectively, to the law firm of Newton, O'Connor, Turner & Ketchum, of which John O'Connor, one of our directors, is a partner.

The Company leases a vehicle under an operating lease that expires in July 2015. The vehicle is leased from Steve Swift, President and CEO. The monthly lease payment is $410.

Included in the current liabilities section of the consolidated balance sheets are amounts due to physicians and related parties. At December 31, 2014 and 2013, the Company owes $4,114 and $1,148, respectively, in interest to related parties. At December 31, 2014 and 2013, the Company owes approximately $133,000 and $159,000, respectively, to physicians.

During 2013, the Company borrowed $25,500 from its Vice President. The amount borrowed is payable on demand and bears interest at 7%. No payments have been made on the amount borrowed during 2014 or 2013.

During 2013, the Company borrowed $126,453 from its Vice President to purchase an aesthetics laser for the Tulsa, Oklahoma facility. This loan was paid in full during 2014.

During 2013, the Company issued to members of its board of directors convertible debentures totaling $40,200. These funds were used for corporate expenses. Interest incurred on the debentures was 10% and the debentures matured December 31, 2013. In accordance with the debenture agreements, the debentures were convertible to common stock at a 25% discount of the average closing prices for the five trading days preceding the applicable conversion date. On November 13, 2013, the debentures were converted to 1,448,647 shares of common stock. The conversion price was $0.02775 per share. These conversions are reflected as noncash financing activities on the statements of cash flows in 2013.

During 2014, the Company issued to two members of the Company's board of directors convertible debentures totaling $28,000. These funds are to be used for operations. Interest incurred on the debentures is 10% and the debentures mature December 31, 2014. In accordance with the debenture agreements, the debentures are convertible to common stock at the option of the holder at any time after the date of issuance. The conversion rate is based on the last sale price of the Company's common stock on the date of conversion. On July 1, 2014, the debenture holders converted $21,500 to 1,194,445 shares of common stock in accordance with the debenture agreements. At December 31, 2014, the balance on these debentures was $6,500. In January 2015, the maturity date of these debentures was extended to December 31, 2015.

During, 2014, WellQuest issued to a member of the board of directors a convertible debenture for $60,000. These funds are to be used for operations. Interest incurred on the debenture is 10% and the debenture matures December 31, 2015. In accordance with the debenture agreement, the debenture is convertible to common stock at the option of the holder at any time after the date of issuance. The conversion rate shall be $0.08888 per share.

Item 12. Financial information for the issuer's most recent fiscal period

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
WellQuest Medical & Wellness Corporation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of WellQuest Medical & Wellness Corporation and its subsidiaries which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, deficit and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of WellQuest Medical & Wellness Corporation and its subsidiaries as of December 31, 20143 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ HOGANTAYLOR LLP

Fayetteville, Arkansas
March 31, 2015

WELLQUEST MEDICAL & WELLNESS CORPORATION

Consolidated Balance Sheets

December 31, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash	$ 14,589	$ 109,469
Accounts receivable, less allowances of $529,817 and $313,278 at December 31, 2014 and 2013, respectively	511,532	193,008
Other current assets	138,127	137,751
Total current assets	664,248	440,228
Property and equipment, net	2,852,186	2,996,140
Deferred financing costs, net of accumulated amortization of $6,539 and $1,575 at December 31, 2014 and 2013, respectively	103,002	62,738
Other assets	2,480	250
	$ 3,621,916	$ 3,499,356
Liabilities and Deficit		
Current liabilities:		
Accounts payable	$ 339,347	$ 349,495
Accrued liabilities	424,115	422,451
Due to physicians and related parties	184,273	237,606
Current maturities of long-term debt	166,496	105,954
Current maturities of long-term debt – related parties	44,576	80,679
Subordinated debentures payable to stockholders	191,500	125,000
Total current liabilities	1,350,307	1,321,185
Long-term debt, less current portion	3,443,257	2,803,486
Total liabilities	4,793,564	4,124,671
WellQuest Medical & Wellness Corporation stockholders' deficit:		
Preferred stock - $0.01 par value; authorized 2,500,000 shares; 75,000 shares designated as Series A convertible preferred stock; 25,515 shares issued and outstanding at December 31, 2014 and 2013	255	255
Common stock - $0.001 par value; authorized 150,000,000 shares; 35,776,951 and 33,567,307 shares issued and outstanding at December 31, 2014 and 2013, respectively	35,777	33,567
Additional paid-in capital	2,210,823	2,120,674
Warrants	30,000	30,000
Accumulated deficit	(3,651,707)	(3,265,019)
Total WellQuest Medical & Wellness Corporation stockholders' deficit	(1,374,852)	(1,080,523)
Noncontrolling interest	203,204	455,208
Total deficit	(1,171,648)	(625,315)
Total liabilities and deficit	$ 3,621,916	$ 3,499,356

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

WELLQUEST MEDICAL & WELLNESS CORPORATION

Consolidated Statements of Operations

Years ended December 31, 2014 and 2013

	2014	2013
Net revenues	$ 5,346,078	$ 4,268,797
Operating expenses:		
Salaries, wages and benefits	1,882,151	1,616,383
Rents and facility expenses	401,095	291,621
Medical direct expenses, excluding salaries, wages and benefits	2,457,849	2,005,470
Spa direct expenses, excluding salaries, wages and benefits	226,956	144,989
General corporate expenses	572,087	508,068
Depreciation and amortization	226,554	98,900
Total operating expenses	5,766,692	4,665,431
Operating loss	(420,614)	(396,634)
Other expense:		
Loss on disposal of asset	(154)	(198)
Interest expense	(229,226)	(104,704)
Total other expense	(229,380)	(104,902)
Loss before income taxes	(649,994)	(501,536)
Provision for income taxes - current	-	4,396
Loss before preferred returns	(649,994)	(505,932)
Preferred returns	55,155	70,408
Net loss	(705,149)	(576,340)
Loss attributable to noncontrolling interest	318,461	187,951
Net loss applicable to common stock of WellQuest Medical & Wellness Corporation	$ (386,688)	$ (388,389)
Loss per common share:		
Basic and diluted	$ (0.011)	$ (0.012)
Weighted average number of common shares and dilutive common share equivalents outstanding:		
Basic and diluted	34,675,156	32,309,167

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

WELLQUEST MEDICAL & WELLNESS CORPORATION

Consolidated Statements of Deficit

Years ended December 31, 2014 and 2013

	Common Stock		Series A Convertible Preferred		Additional Paid-in		Accumulated	Noncontrolling	Total
	Shares	$	Shares	$	Capital	Warrants	Deficit	Interest	Deficit
Balance, December 31, 2012	32,118,660	$ 32,119	25,515	$ 255	$ 2,070,359	$ 30,000	$ (2,876,630)	$ 642,159	$ (101,738)
Net loss	-	-	-	-	-	-	(388,389)	(187,951)	(576,340)
Grant of WellQuest of Tulsa class A membership units to directors	-	-	-	-	-	-	-	1,000	1,000
Conversion of subordinated debentures to common stock – issued at $0.02775 per share	1,448,647	1,448	-	-	38,752	-	-	-	40,200
Stock-based compensation	-	-	-	-	11,563	-	-	-	11,563
Balance, December 31, 2013	33,567,307	33,567	25,515	255	2,120,674	30,000	(3,265,019)	455,208	(625,315)
Net loss	-	-	-	-	-	-	(386,688)	(318,461)	(705,149)
Capital contributions	-	-	-	-	-	-	-	66,457	66,457
Stock options exercised	1,015,199	1,015	-	-	13,985	-	-	-	15,000
Conversion of subordinated debentures to common stock – issued at $0.018 per share	1,194,445	1,195	-	-	20,305	-	-	-	21,500
Stock-based compensation	-	-	-	-	55,859	-	-	-	55,859
Balance, December 31, 2014	35,776,951	$ 35,777	25,515	$ 255	$ 2,210,823	$ 30,000	$ (3,651,707)	$ 203,204	$ (1,171,648)

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

WELLQUEST MEDICAL & WELLNESS CORPORATION

Consolidated Statements of Cash Flows

Years ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Net loss	$ (705,149)	$ (576,340)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	226,554	98,900
Provision for uncollectible accounts	216,539	9,794
Amortization of deferred financing costs	4,964	1,575
Stock-based compensation	55,859	11,563
Loss on disposal of property and equipment	154	198
Preferred returns	55,155	70,408
Change in assets and liabilities:		
Accounts receivable	(535,063)	9,208
Other current assets	(376)	(72,544)
Other assets	(2,230)	-
Accounts payable and accrued liabilities	(63,639)	307,448
Income taxes payable	-	(5,000)
Due to physicians and related parties	(53,333)	30,240
Net cash used in operating activities	(800,565)	(114,550)
Cash Flows from Investing Activities		
Purchases of property and equipment	(43,899)	(1,906,190)
Cash Flows from Financing Activities		
Repayment of long-term borrowings and obligations under capital leases	(61,089)	(60,721)
Borrowings on long-term debt	722,547	2,065,964
Deferred financing costs	(45,228)	(27,023)
Borrowings on related party notes payable	10,600	34,250
Repayment of related party notes payable	(46,703)	(207,761)
Borrowings on related party subordinated debentures	88,000	40,200
Stock options exercised	15,000	-
Capital contributions by noncontrolling interest	66,457	1,000
Net cash provided by financing activities	749,584	1,845,909
Net decrease in cash	(94,880)	(174,831)
Cash, beginning of year	109,469	284,300
Cash, end of year	$ 14,589	$ 109,469
Noncash Financing Activities		
Conversion of subordinated debentures to common stock	$ 21,500	$ 40,200
Borrowings to purchase property and equipment	$ 38,855	$ 126,453
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	$ 219,776	$ 38,726
Cash paid for income taxes	$ -	$ 9,396

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

WELLQUEST MEDICAL & WELLNESS CORPORATION

Notes to Consolidated Financial Statements

Years ended December 31, 2014 and 2013

1. ***Organization and Business Description***

WellQuest Medical & Wellness Corporation ("WellQuest") was incorporated in the state of Oklahoma in November 2004. WellQuest's wholly owned subsidiary, WellQuest of Arkansas, Inc. ("WellQuest of Arkansas"), was incorporated in the state of Arkansas in May 2005 and WellQuest's majority owned subsidiary, WellQuest of Tulsa, LLC ("WellQuest of Tulsa"), was formed in the state of Oklahoma in March 2012. We incorporated WellQuest of Oklahoma, Inc., a wholly owned subsidiary, in the state of Oklahoma on March 5, 2013.

WellQuest delivers an integrated model of primary medical care, preventive/wellness services and medical aesthetics in upscale facilities located in high-traffic retail corridors. The delivery site is titled "WellQuest Medical Clinic and Aesthetics," a trademarked business name. The WellQuest concept combines a customer-service oriented medical treatment facility for interventional care with programmed preventive services and products that lead clients in the quest for wellness. The facility also houses an advanced medical Aesthetics for skincare services and retail products. WellQuest currently operates two facilities, one in Bentonville, Arkansas and one in Tulsa, Oklahoma.

Management's Plans

During 2013 and 2014, the Company utilized significant funds from bank loans and operations at its Northwest Arkansas facility to construct and commence operations at the Tulsa facility. As of December 31, 2014, the Company has approximately $154,000 remaining that can be drawn on the $980,000 working capital loan for the Tulsa facility (Note 4). Although, management believes the available funds on the working capital loan will be sufficient to fund operations at the Tulsa facility, the Company could require additional financial resources. The Company is currently employing the following strategic initiatives to drive awareness of our service offerings in that market:

- Marketing efforts have been implemented across multiple social media platforms.
- Partnerships have been formed with Tulsa area health food stores and exercise facilities.
- The Company is working with Tulsa area businesses to provide occupational medicine, worksite injury analysis and corporate wellness solutions.
- The Company is exploring additional revenue sources such as allergy services, hormone replacement services, diagnostic testing services, advanced lab services and in-house pharmaceutical services.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of WellQuest, WellQuest of Arkansas, Northwest Arkansas Primary Care Physicians, P.A., Arkansas Medical & Wellness, P.A., WellQuest of Tulsa, LLC, Primary Care Physicians of Tulsa Region, P.C. and WellQuest of Oklahoma, Inc. (collectively, the "Company").

Northwest Arkansas Primary Care Physicians, P.A. and Arkansas Medical & Wellness, P.A.

WellQuest of Arkansas entered into a Management and Medical Services Agreement with Northwest Arkansas Primary Care Physicians, P.A. ("NWAPCP") pursuant to which NWAPCP was granted exclusive rights to operate medical practices in the current center and all future sites that WellQuest of Arkansas might open in Northwest Arkansas. As a result, NWAPCP was responsible for hiring all physicians, physician's assistants, and nurse practitioners who operate in the medical clinic. The proceeds from the practice were assigned to WellQuest of Arkansas. From those proceeds, WellQuest of Arkansas paid the compensation of the employees of NWAPCP and all expenses associated from the conduct of the practice. WellQuest of Arkansas received a monthly management fee of 7.5% of the practice's net revenues, and after all practice loans and interest are repaid in full, received a performance bonus as a share of any practice operating profits after physician compensation and all practice operating expenses are paid. Any remaining profits were paid to NWAPCP.

WellQuest determined that NWAPCP qualified for consolidation, as WellQuest was the primary beneficiary of the operations of the clinic after physician compensation pursuant to the terms of the management agreement. As a result, the operations of the clinic, primarily clinic revenues and expenses, were consolidated into WellQuest for financial statement reporting purposes until termination of the management agreement. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Because the accounts of NWAPCP were consolidated with WellQuest, loans to fund NWAPCP's operating losses were eliminated and reported as expenses in the consolidated financial statements. Operating profits of NWAPCP used to reduce its debt to WellQuest were eliminated and reported as operating profits in the consolidated financial statements. For each period presented, NWAPCP's profits paid or payable to its owners were reported as physician compensation in clinic direct expenses.

The Company and NWAPCP did not renew the Management and Medical Services Agreement after it expired on August 31, 2014. The Company entered into a new Management and Medical Services Agreement on September 1, 2014 with Arkansas Medical & Wellness, P.A.

("AMWPA"). The agreement with AMWPA contains similar terms to the one discussed below with Primary Care Physicians of Tulsa Region, P.C.

WellQuest determined that AMWPA qualifies for consolidation, as WellQuest was the primary beneficiary of the operations of the clinic after physician compensation pursuant to the terms of the management agreement. As a result, the operations of the clinic, primarily clinic revenues and expenses, were consolidated into WellQuest for financial statement reporting purposes. All significant intercompany accounts and transactions have been eliminated. For each period presented, AMWPA's profits paid or payable to its owners are reported as physician compensation in clinic direct expenses.

WellQuest of Tulsa, LLC

During 2012, the Company sold 2,500 Class B membership units to unrelated investors, which constituted 25% ownership of WellQuest of Tulsa, for $660,072. The 25% minority stake in WellQuest of Tulsa is accounted for as a non-controlling interest on the balance sheet and the statements of operations. All significant intercompany accounts and transactions have been eliminated upon consolidation.

During 2014, $66,457 was received from Class B investors. These funds were used to fund operations at the Company's Tulsa facility.

The operating agreement for WellQuest of Tulsa expires on September 30, 2016 unless earlier terminated pursuant to the terms of the agreement. Thereafter, the operating agreement renews automatically for successive two year terms unless any party gives written notice of its intent not to renew at least 90 days prior to the expiration of the then current term.

On October 22, 2013, the board of directors of WellQuest approved a unanimous consent to grant Steve Swift, President and CEO 600 Class A membership units and Curtis Rice, Vice President 400 Class A membership units in WellQuest of Tulsa from the membership units owned by WellQuest. The membership units granted represent 10% of the total membership units outstanding for WellQuest of Tulsa. A value of $1,000 was placed on the membership units granted. The value of the Class A membership units were significantly discounted compared to the value of the Class B membership units sold to unrelated parties due to factors including, but not limited to, the following:

- Class A members rights to liquidation and distribution proceeds are subordinate to the Class B members.
- Class B members are entitled to receive cumulative non-compounding return in preference to Class A members at an annual rate of 8% as discussed below.
- Class B members receive 95% of WellQuest of Tulsa distributions until such time as 120% of their investment has been returned.

In accordance with the membership agreements, the Class B members are entitled to receive a cumulative, non-compounding return in preference to Class A members at a rate of 8% per annum paid on the unreturned portion of their investment ("preferred return"). Therefore, $125,563 of preferred returns have been accrued as of December 31, 2014.

Primary Care Physicians of Tulsa Region, P.C.

WellQuest of Tulsa entered into a Management and Medical Services Agreement with Primary Care Physicians of Tulsa Region, P.C. ("PCP of Tulsa") pursuant to which PCP of Tulsa was granted exclusive rights to operate the medical practice in the current center in Tulsa, Oklahoma. As a result, PCP of Tulsa is responsible for hiring all physicians, physician's assistants, and nurse practitioners who operate in the medical clinic. The proceeds from the practice are assigned to WellQuest of Tulsa. From those proceeds, WellQuest of Tulsa pays the compensation of the employees of PCP of Tulsa and all expenses associated from the conduct of the practice. WellQuest receives a monthly management fee of 7.5% of the practice's net revenues, a monthly medical billing and collections fee of 6% of the practice's net collections, and after all practice loans and interest are repaid in full, receives a performance bonus as a share of any practice operating profits after physician compensation and all practice operating expenses are paid. Any remaining profits are paid to PCP of Tulsa.

WellQuest determined that PCP of Tulsa qualifies for consolidation, as WellQuest of Tulsa is the primary beneficiary of the operations of the clinic after physician compensation pursuant to the terms of the management agreement and WellQuest of Tulsa is a majority owned subsidiary of WellQuest. As a result, the operations of the clinic, primarily clinic revenues and expenses, were consolidated into WellQuest for financial statement reporting purposes. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Because the accounts of PCP of Tulsa are consolidated with WellQuest, loans to fund PCP of Tulsa's operating losses are eliminated and reported as expenses in the consolidated financial statements. Operating profits of PCP of Tulsa used to reduce its debt to WellQuest are eliminated and reported as operating profits in the consolidated financial statements. For each period presented, PCP of Tulsa's profits paid or payable to its owners are reported as physician compensation in clinic direct expenses.

2. *Summary of Significant Accounting Policies*

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual

results could differ from those estimates.

Accounts Receivable

Accounts receivable principally represent receivables from customers and third-party payors for medical services provided by clinic physicians, less an allowance for contractual adjustments and doubtful accounts. Claims for insured patients are first filed with insurance, at which time the net realizable amount is unknown. The insurance company processes the claim and calculates the payment made to the Company. The Company charges any difference between the amount filed and the amount paid against the allowance. The Company estimates the collectability of receivables based on the Company's collection history. The Company recorded contractual adjustments and bad debt expense of approximately $2,429,000 and $1,903,000 in 2014 and 2013, respectively. These amounts are considered in the determination of net revenue on the consolidated statements of operations. Adjustments to the allowance for doubtful accounts for December 31, 2014 and 2013 are as follows:

Description	Balance at Beginning of Period	Charged to Net Revenue	Deductions	Balance at End of Period
Year ended December 31, 2014:				
Allowance for doubtful accounts				
Contractual adjustments	$ 29,618	$ 2,061,296	$ 2,040,846	$ 50,068
Bad debt expense	283,660	367,672	171,583	479,749
	$ 313,278	$ 2,428,968	$ 2,212,429	$ 529,817
Year ended December 31, 2013:				
Allowance for doubtful accounts				
Contractual adjustments	$ 28,692	$ 1,610,860	$ 1,609,934	$ 29,618
Bad debt expense	274,792	292,155	283,287	283,660
	$ 303,484	$ 1,903,015	$ 1,893,221	$ 313,278

Other Current Assets

Other current assets at December 31, 2014 and 2013 include $118,515 and $94,774, respectively, of medical supplies, cosmetics, and skincare products. These assets are recorded at the lower of cost or market on a first in, first out basis.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets. Useful lives of furniture and equipment are estimated to range from five to fifteen years, useful lives of leasehold improvements are estimated to be ten years and the useful life of the building is 39 years. Gains or losses on sale or other dispositions of property and equipment are credited or charged to income in the period incurred. Repairs and maintenance costs are charged to income in the period incurred, unless it is determined that the useful life of the respective asset has been extended.

Revenue Recognition

The Company recognizes revenue when there is persuasive evidence of an arrangement, delivery has occurred or services have been rendered, the sales price is determinable and collectability is reasonably assured.

Net revenues of the Company are comprised of net clinic revenue and revenue derived from the sales of aesthetics services and related products. Net clinic revenue is recorded at established rates reduced by provisions for doubtful accounts and contractual adjustments. Contractual adjustments arise as a result of the terms of certain reimbursement and managed care contracts. Such adjustments represent the difference between charges at established rates and estimated recoverable amounts and are recognized in the period the services are rendered. Any differences between estimated contractual adjustments and actual final settlements under reimbursement contracts are recognized in the year the settlements are determined.

Aesthetic revenues are recognized at the time of sale, as this is when the services have been provided or, in the case of product revenues, delivery has occurred, and aesthetics receives the customer's payment. Revenues from pre-paid purchases are also recorded when the customer takes possession of the merchandise or receives the service. Pre-paid purchases are defined as either gift cards or series sales. Series sales are the purchase of a series of services to be received over a period of time. Pre-paid purchases are recorded as a liability until they are redeemed. Pre-paid purchases expire two years from the date of the customer's purchase.

Income Taxes

Deferred income taxes are computed using the liability method and are provided on all temporary differences between the financial basis and the tax basis of the Company's assets and liabilities and tax carryforwards. Future tax benefits are recognized to the extent that realization of those benefits is considered to be more likely than not. A valuation allowance is provided for deferred tax assets for which realization is not likely.

Share-Based Payment and Stock-Based Compensation Plan

In calculating the value of shares issued for goods or services received in a share-based payment transaction with nonemployees, we consider whether the fair value of the goods or services is more reliably measurable than the fair value of the equity instruments issued. If the fair value of the goods or services is more reliably measurable than the fair value of the equity instruments issued, then, the fair value of the goods or services received shall be used to measure the transaction. In contrast, if the fair value of the equity instruments issued in a share-based payment transaction with nonemployees is more reliably measurable than the fair value of the consideration received, the transaction shall be measured based on the fair value of the equity instruments issued. We recognize the fair value of stock-based compensation awards in general corporate expense in the consolidated statements of operations on a straight-line basis over the vesting period.

On April 4, 2008, the stockholders of the Company adopted the WellQuest Medical & Wellness Corporation 2008 Incentive Stock Plan (the 2008 Plan). The purpose of the 2008 Plan is to further the growth and development of the Company by providing, through ownership of stock of the Company, an incentive to officers and other key personnel who are in a position to contribute materially to the prosperity of the Company including, but not limited to, all salaried personnel of the Company, to increase such persons' interests in the Company's welfare, to encourage them to continue their services to the Company, and to attract individuals of outstanding ability to enter the employment of the Company. The 2008 Plan authorizes the issuance of 15,000,000 shares of the Company's common stock.

The Company uses the Black-Scholes option valuation model to estimate the grant date fair value of its options, as this model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Estimated volatility is calculated based on actual historical volatility of the Company’s common stock from the Company’s initial public offering date to the grant date. The Company’s dividend yield assumption is based on the expected dividend yield as of the grant date. Expected life is calculated based on the simplified method for ‘‘plain vanilla’’ options, due to limited available exercise information. The Company expenses the cost of options granted over the vesting period of the option based on the grant-date fair value of the award. For the years ended December 31, 2014 and 2013, the Company recognized compensation expense of $55,859 and $11,563, respectively.

The following table details the options granted to certain members of the board of directors and management during 2014 and 2013 and the assumptions used in the Black-Scholes option valuation model for those grants:

Grant Date	Number of Shares	Exercise Price	Risk-Free Interest Rate	Estimated Volatility	Dividend Yield	Forfeiture Rate	Expected Life
Jan-13	50,000	$ 0.03	0.78%	510%	None	0%	5 years
May-13	100,000	$ 0.026	0.75%	491%	None	0%	5 years
May-14	1,175,000	$ 0.056	1.57%	672%	None	0%	10 years

The following table provides information as of December 31, 2014, regarding shares outstanding and available for issuance under our existing stock option plan:

	Number	Weighted Average Exercise Price	Fair Value of Options	Remaining Contractual Life	Aggregate Intrinsic Value
Balance, December 31, 2012	7,502,250	$ 0.02556	-	-	-
Granted	150,000	$ 0.02733	-	-	-
Forfeited	(481,800)	$ 0.00966	-	-	-
Balance, December 31, 2013	7,170,450	$ 0.02556	-	-	-
Granted	1,175,000	$ 0.05600	-	-	-
Exercised	(1,015,199)	$0.01478	-	-	-
Forfeited	(1,483,650)	$ 0.08608	-	-	-
Balance, December 31, 2014	5,846,601	$ 0.02974	-	3.51	-
Exercisable, December 31, 2014	4,748,267	$ 0.03058	-	3.25	-

As of December 31, 2014, there was $18,217 of unrecognized compensation expense related to nonvested share-based compensation for options granted in 2012 through 2014. This cost will be recognized on a straight-line basis during 2015 through 2017.

On February 18, 2015, The Company granted stock options for 750,000 shares of stock at an exercise price of $0.028 per share. The options are subject to a vesting schedule as follows: 500,000 options on February 18, 2015; 83,333 options on February 18, 2016; 83,333 options on February 18, 2017 and 83,334 options on February 18, 2018. The options have a termination date of February 18, 2025. Compensation expense was calculated at $21,000, of which $14,000 was recognized immediately and the remaining $7,000 will be recognized over the vesting period. The Black-Scholes calculation used to value these options included a risk-free interest rate of 2.07%, an estimated volatility of 632%, no dividend yield and no forfeiture rate and an expected life of ten years. The Company has reserved 750,000 shares of common stock for the exercise of these options.

Deferred Financing Costs

Deferred financing costs incurred in association with the issuance of debt are amortized over the life of the corresponding loan. Amortization of $4,964 and $1,575 was recorded during the years ended December 31, 2014 and 2013, respectively, and is reflected as interest expense.

Earnings Per Share

The Company calculates and discloses Basic and Diluted EPS on the face of the statements of operations and provides a reconciliation of the numerator and denominator of the Basic EPS computation to the numerator and denominator of the Diluted EPS computation. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

In computing Diluted EPS, only potential common shares that are dilutive — those that reduce earnings per share or increase loss per share — are included. Exercise of options and warrants or conversion of convertible securities is not assumed if the result would be anti-dilutive, such as when a loss from continuing operations is reported. The “control number” for determining whether including potential common shares in the Diluted EPS computation would be anti-dilutive is income from continuing operations. As a result, if there is a loss from continuing operations, Diluted EPS would be computed in the same manner as Basic EPS is computed, even if an entity has net income after adjusting for discontinued operations, an extraordinary item or the cumulative effect of an accounting change. Therefore, Basic and Diluted EPS are calculated in the same manner for the year ended December 31, 2014 and 2013, as there was a loss from continuing operations.

Anti-dilutive and/or nonexercisable warrants, convertible preferred stock, convertible subordinated debentures, and unexercised stock options represent approximately 14,400,000 and 15,000,000 common shares at December 31, 2014 and 2013, respectively, which may become dilutive in future calculations of EPS.

Advertising

Advertising costs are expensed as incurred. Advertising expenses approximated $106,000 and $116,000 in 2014 and 2013, respectively.

Recent accounting pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of 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. ASU 2014-09 is effective for interim and annual periods beginning on or after December 15, 2016. Management is currently assessing the impact ASU 2014-09 will have on the Company, but it is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

In June 2014, the FASB issued Accounting Standards Update 2014-12, "Compensation – Stock Compensation: Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could Be Achieved after the Requisite Service Period" ("ASU 2014-12"). ASU 2014-12 requires that a performance target that affects vesting of share-based payments and that could be achieved after the requisite service period be treated as a performance condition that affects vesting and as such, should not be reflected in estimating the grant-date fair value of the award. ASU 2014-12 is effective for annual and interim periods beginning after December 15, 2015. As the Company's current share-based payments require only time-based targets, this standard is not expected to have a material effect on the Company's financial position, results of operations or cash flows.

Reclassifications

Certain reclassifications have been made to prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on the Company's net loss.

Subsequent events

Management has evaluated subsequent events through March 31, 2015, the date the financial statements were available to be issued.

3. *Property and Equipment*

The following is a summary of property and equipment as of December 31:

	2014	2013
Furniture and equipment	$ 1,238,394	$ 1,269,025
Building	1,588,028	1,588,028
Land	792,058	792,058
Leasehold improvements	128,484	126,656
	3,746,964	3,775,767
Less accumulation depreciation	(894,778)	(779,627)
Property and equipment, net	$ 2,852,186	$ 2,996,140

At December 31, 2014 and 2013, property and equipment includes equipment acquired under capital lease with a total cost of $173,176. Amortization of the property and equipment acquired under capital lease of $0 and $9,620 is included in depreciation expense for the years ended December 31, 2014 and 2013, respectively. Interest incurred on the construction of the building of approximately $9,900 was capitalized in 2013. No interest was capitalized in 2014 as construction of the building was completed in 2013.

4. *Long-Term Debt*

On September 14, 2012, the Company obtained a loan from a bank to purchase land, construct a new facility in Tulsa, Oklahoma and purchase equipment for the new facility. Currently, the Company is paying interest only on this loan at the lessor of prime plus 2.25% or 5.5% (5.5% at December 31, 2014) with interest payable monthly. On August 13, 2014, the Small Business Administration (the "SBA") assumed $1,057,000 of the loan balance from the bank. The maturity date of the SBA loan is August 1, 2034. The SBA loan bears interest at 2.9% and requires monthly payments of $7,283 in years one through five, $6,992 in years six through ten, $6,657 in years eleven through 15 and $6,268 in years 16 through 20. At December 31, 2014, the balance on the loan with the bank was $1,461,348 and the balance on the SBA loan was $1,042,957. The loan with the bank is currently requires interest only payments until January 2029 but the Company expects that the bank will convert its loan to a 15-year term loan in 2015. Additionally, the loan requires the Company to maintain a debt service coverage ratio of 1.25 to 1 to be first measured after the first full year of operations of WellQuest of Tulsa following the Company's receipt of the Certificate of Occupancy. As of December 31, 2014, the Company was not in compliance with the debt service coverage ratio. The Company obtained a written waiver of said covenant from the bank through January 1, 2016. Interest incurred on the construction of the facility of approximately $9,900 has been capitalized in 2013. No interest was capitalized in 2014 as construction of the building was completed in 2013.

On May 14, 2012, the Company obtained a note payable from a bank for $350,000. The proceeds of the note payable were primarily used to

pay off the Company's previous revolving line of credit and a prior note payable with a bank. The loan bears interest at 6%, requires a monthly payment of $5,114, which includes principal and interest, and matures May 14, 2019. The loan is collateralized by essentially all of the Company's assets and is guaranteed by the Company's CEO and majority stockholder. At December 31, 2014, the balance on this note was $242,230.

On July 3, 2013, WellQuest of Tulsa obtained a note payable from a bank for $800,000 to be used for working capital. On August 3, 2014, the bank increased the amount available to borrow on this note to $980,000. The Company has used this loan to fund operations for the Tulsa facility during its start-up phase. The SBA guarantees 75% of the loan balance. The maturity date of the loan is January 3, 2022 and the loan bears interest at 6% per year. Interest only payments are required on the loan for the first 12 months from the date of the note and beginning with the 13th month, monthly principal and interest payments of $15,248 will be required. Additionally, the loan requires the Company to maintain a debt service coverage ratio of 1.25 to 1 to be first measured after the first full year of operations of WellQuest of Tulsa following the Company's receipt of the Certificate of Occupancy. As of December 31, 2014, the Company was not in compliance with the debt service coverage ratio. The Company obtained a written waiver of said covenant from the bank through January 1, 2016. The loan is collateralized by third interests in substantially all of WellQuest of Tulsa's assets and a personal guarantee by the Company's CEO and guarantees by WellQuest Medical & Wellness Corporation and WellQuest of Arkansas. Additionally, the loan requires WellQuest of Tulsa to carry a life insurance policy on the Company's CEO in the amount of $800,000 with the lender designated as the beneficiary. At December 31, 2014, the balance on this note was $826,299.

During 2014, the Company obtained two loans from a financing company totaling $38,855 to purchase a digital sign for the Tulsa facility and computer equipment. At December 31, 2014, the two loans had a total outstanding balance of $36,919.

The annual maturities of long-term debt below have been adjusted for the conversion of the Company's construction loan to a 15-year term loan. Under the term loan, the monthly principal and interest payments will be approximately $10,000, of which the principal portion is included in the following table:

Year	Annual Payment Amount
2015	$ 166,496
2016	271,950
2017	287,705
2018	304,408
2019	289,541
Thereafter	2,289,653
	$ 3,609,753

Related Parties

During 2012, the Company converted payables to the Company's CEO and majority stockholder totaling $34,476 to a note payable. The note payable bears interest at 5% and was scheduled to mature January 2014. On March 26, 2014, the maturity date of the note payable was extended to December 31, 2014 and interest incurred on the balance increased to 7% per annum. In January 2015, the maturity date of the note payable was extended to December 31, 2015. The note payable does not require specified monthly payments. During 2014, the Company made net payments totaling $15,000 on the note payable. No payments were made on the amount borrowed in 2013. At December 31, 2014, the balance on this note was $19,076.

During 2013, the Company borrowed $25,500 from its Vice President. The amount borrowed is payable on demand and bears interest at 7%. No payments have been made on the amount borrowed during 2014 or 2013.

During 2013, the Company borrowed $126,453 from its Vice President to purchase an aesthetics laser for the Tulsa, Oklahoma facility. The amount was paid in full in 2014.

Subordinated Debentures Payable to Stockholders

In 2006 and 2007, the Company issued convertible debentures with detachable warrants to certain stockholders. These debentures bear interest at the fixed rate of 10% per annum, and shall be paid in arrears on a quarterly basis. During 2012, $242,000 of the debentures were forgiven by Regent, which is reflected as other income in the statements of operations. Additionally, during 2012, $123,497 of debentures held by the Company's directors were converted to 1,389,478 shares of common stock. The debentures were converted at $0.08888 per share in accordance with the debenture agreements. As part of the conversions, the debenture holders forfeited $147,000 of warrants issued with the debentures. Pursuant to the debenture agreements, the holders had the option to either exercise the warrants or convert the debentures. The conversions of the debentures are reflected as noncash financing activities on the statements of cash flows. As of December 31, 2014, the Company has three subordinated convertible debentures outstanding of $125,000. The maturity date for one of the remaining debentures has been extended to June 30, 2015 and the other two to December 31, 2015.

The rights of the holders under the remaining outstanding debentures to collect the amounts due are subordinated to the rights of the banks owed as identified under Long-Term Debt. The holders of $75,000 of these debentures may convert the debt into shares of the Company's series A convertible preferred stock at the option of the holder at any time after the date of issuance. No partial conversions of the debentures are allowed. The conversion price is $22.22 per share, subject to adjustment pursuant to the terms of the debenture agreement. The holder of $50,000 of these debentures may convert the debt into shares of the Company's common stock at the option of the holder at any time after the date of issuance. No partial conversions of the debentures are allowed. The conversion price is $22.22 per share, subject to adjustment pursuant to the terms of the debenture agreement.

During 2013, the Company issued to members of its board of directors convertible debentures totaling $40,200. These funds were used for corporate expenses. Interest incurred on the debentures was 10% and the debentures matured December 31, 2013. In accordance with the debenture agreements, the debentures were convertible to common stock at a 25% discount of the average closing prices for the five trading days preceding the applicable conversion date. On November 13, 2013, the debentures were converted to 1,448,647 shares of common stock. The conversion price was $0.02775 per share.

During 2014, the Company issued to two members of the Company’s board of directors convertible debentures totaling $28,000. These funds are to be used for operations. Interest incurred on the debentures is 10% and the debentures matured December 31, 2014. In accordance with the debenture agreements, the debentures are convertible to common stock at the option of the holder at any time after the date of issuance. The conversion rate is based on the last sale price of the Company’s common stock on the date of conversion. On July 1, 2014, the debenture holders converted $21,500 to 1,194,445 shares of common stock in accordance with the debenture agreements. At December 31, 2014, the balance on these debentures was $6,500. In January 2015, the maturity date of these debentures was extended to December 31, 2015.

During 2014, WellQuest issued to a member of the Board of Directors a convertible debenture for $60,000. These funds are to be used for operations. Interest incurred on the debenture is 10% and the debenture matures December 31, 2015. In accordance with the debenture agreement, the debenture is convertible to common stock at the option of the holder at any time after the date of issuance. The conversion rate shall be $0.08888.

5. *Lease Commitments*

The Company leases office space under operating leases expiring in August and September 2015. Total expense related to these leases was $208,268 for each of the years ended December 31, 2014 and 2013. The lease for the administrative and billing space requires payments of $2,100 per month through August 2015. The Company leases a vehicle under an operating lease expiring July 2015. The vehicle is leased from the Company's CEO. Total expense incurred in 2014 and 2013 related to this lease was $4,922.

The Company leased certain equipment under a capital lease that expired in May 2013. The equipment was leased from an entity partially owned by the Company’s Vice President.

Future minimum rental payments as of December 31, 2014 are $170,801.

6. *Series A Convertible Preferred Stock*

A summary of the preferred stock at December 31, 2014 is as follows:

	Shares Authorized	Shares Issued	Shares Outstanding	Par Value	Liquidation Value
Series A	75,000	25,515	25,515	$0.01	$ 1,133,887

During 2005, 29,025 shares of the Company's Series A convertible preferred stock (“preferred stock”) were issued at $22.22 a share. In 2006, 7,290 shares of preferred stock were issued at $22.22 per share. In 2007, 1,125 shares of preferred stock were issued at $22.22 per share.

Between April 2009 and June 2009, four holders of 11,925 shares of the Company's preferred stock elected to convert the shares to 2,981,250 shares of the Company's common stock.

A summary of the rights, preferences, and privileges of the preferred stock is as follows:

Dividends – The holders of the preferred stock shall have no dividend preference over the Company's common stock. In the event the board of directors shall ever declare a dividend, the holders of the preferred stock shall be entitled to participate in such dividend, pro rata, to the same extent as any holder of the common stock on which such dividend may be declared.

Liquidation – In the event of any liquidation, dissolution, or winding-up of the Company (including a change of control), the holders of the preferred stock shall be entitled to receive, out of the remaining assets of the Company, the liquidation value in cash for each of the shares of preferred stock they then hold. These distributions will be made prior to any distributions to other stockholders. Any amounts remaining after such distributions will be distributed to the holders of the common stock and the preferred stock on parity with each other (on an as-converted basis). In the event the Company at any time or from time to time after the original issue date shall declare or pay any dividend on the

preferred stock payable in preferred stock, or effect a subdivision or combination of the outstanding shares of preferred stock (by reclassification or otherwise than by payment of a dividend in preferred stock), then and in any such event, the liquidation value shall be proportionately decreased in the case of a stock dividend or subdivision and proportionately increased in the case of a combination of shares effective, in the case of such dividend, immediately after the close of business on the record date for the determination of holders of preferred stock entitled to receive such dividend or, in the case of a subdivision or combination, at the close of business immediately prior to the date upon which such corporate action becomes effective.

Conversion – Holders of shares of preferred stock have the right to convert their shares, at any time, into shares of common stock. The conversion rate is determined by multiplying the number of preferred shares to be converted by $22.22 and dividing the result by the conversion price then in effect (currently $0.08888). At the option of the Company, all (but not less than all) of the shares of preferred stock may be converted into shares of common stock at the then applicable conversion price in any of the following events: (i) upon the Company having positive cumulative earnings before interest, depreciation, taxes and amortization ("EBITDA") of a least $750,000 over four consecutive rolling calendar quarters; (ii) upon the closing of a qualifying offering, I.E., receipt by the Company of proceeds from a private placement of its securities of not less than $3,000,000 on terms acceptable to the holders of a majority of the issued and outstanding common stock at such time; or (iii) upon the closing of a public offering. Such conversion will utilize the same conversion rate as described above.

Voting – The holders of the preferred stock shall be entitled to one vote per share with respect to any matter brought before the stockholders and enjoy the same voting rights as common stockholders.

7. *Common Stock*

Common stockholders are entitled to one vote per share and dividends when declared by the Board of Directors.

Shares Reserved for Future Issuance – As of December 31, 2014 and 2013, the Company has reserved shares of common stock for future issuance for the following purposes:

	2014	2013
Conversion of outstanding preferred stock to common stock	6,378,750	6,378,750
Conversion of subordinated convertible debentures to preferred stock and then to common stock	843,834	843,834
Conversion of subordinated convertible debentures to common stock	1,310,756	562,556
Stock options	5,836,601	7,170,450
Total	14,369,941	14,955,590

8. *Income Taxes*

The Company recognized current income tax provision of $0 and $4,396 in 2014 and 2013, respectively, for alternative minimum taxes because of the net operating income generated in 2012. Prior to 2012, the Company had generated net operating losses since inception. Thus, the excess of the deferred tax assets over the deferred tax liabilities is offset by a valuation allowance, resulting in no deferred tax benefit for 2014 or 2013. The Company's valuation allowance increased by approximately $39,000 and $37,000 for the years ended December 31, 2014 and 2013, respectively.

The income tax provision for 2014 and 2013 differs from the amount computed by applying the US federal statutory rate of 34% to income before income taxes due primarily to changes in the valuation allowance. As of December 31, 2014, the Company had net operating loss carryforwards of approximately $1.7 million for federal income tax purposes, which are available to reduce future taxable income and will expire beginning in 2025, if not utilized.

The tax effects of significant temporary differences representing deferred tax assets and liabilities at December 31, 2014 and 2013, are as follows:

	2014	2013
Deferred tax assets:		
Net operating loss carryforwards	$ 610,000	$ 658,000
Other accruals	264,000	188,000
Valuation allowance	(844,000)	(805,000)
Net deferred tax assets	30,000	41,000
Deferred tax liability – depreciation and amortization	(30,000)	(41,000)
Net deferred income taxes	$ -	$ -

As the Company has generated significant net operating losses and there is no assurance that it will be able to utilize its net operating loss carryforwards prior to expiration, management has established a valuation allowance of approximately $844,000 and $805,000 at December 31, 2014 and 2013, respectively, to recognize its deferred tax assets only to the extent of its deferred tax liabilities. The Company

will continue to evaluate the need for such a valuation allowance in the future.

Based upon a review of its income tax positions, the Company believes that its positions would be sustained upon an audit and does not anticipate any adjustments that would result in a material change to its financial position. Therefore, no reserves for uncertain income tax positions have been recorded. The Company recognizes interest related to income taxes as interest expense and penalties as operating expenses. Prior tax years that remain subject to examination include 2011, 2012 and 2013.

9. *Benefit Plans*

Employees of the Company are eligible to participate in a 401(k) plan (the Plan) covering all employees after a specified period of service. Employees may elect to make deferral contributions of their salary. The Company will match 50% of the first 6% of employee contributions made to the Plan. In addition, the Company may make discretionary contributions to the Plan to be allocated to participants' accounts pro rata based on compensation. Participants will vest in any Company contributions over a five year period. Total Company contributions to the Plan for 2014 and 2013 approximated $3,800 and $7,200, respectively.

10. *Related Party Transactions*

At December 31, 2014 and 2013, the Company incurred expenses of $27,363 and $17,218, respectively, to the law firm of Newton, O'Connor, Turner & Ketchum, of which John O'Connor, one of our directors, is a partner.

The Company leases a vehicle under an operating lease that expires in July 2015. The vehicle is leased from Steve Swift, President and CEO. The monthly lease payment is $410.

Included in the current liabilities section of the consolidated balance sheets are amounts due to physicians and related parties. At December 31, 2014 and 2013, the Company owes $4,114 and $1,148, respectively, in interest to related parties. At December 31, 2014 and 2013, the Company owes approximately $133,000 and $159,000, respectively, to physicians.

Item 13. Financial information for the preceding two fiscal years.

Filings for the preceding two fiscal years can be viewed at http://www.otcmarkets.com/stock/WEQL/filings.

Item 14. Beneficial Owners.

The following table sets forth certain information regarding beneficial ownership of our common and preferred stock as of March 31, 2015.

- By each person who is known by us to beneficially own more than 5% of our common or preferred stock;
- By each of our officers and directors; and
- By all of our officers and directors as a group.

NAME AND ADDRESS OF OWNER (1)	TITLE OF CLASS	NUMBER OF SHARES OWNED (2)	PERCENTAGE OF CLASS (3)
Stephen H.M. Swift	Common Stock	15,550,929	43.47%
Josh Estes	Common Stock	-	0.00%
Curtis L. Rice	Common Stock	5,074,800 (4)	14.18%
John O'Connor	Common Stock	2,055,379	5.74%
Robert Zasa	Common Stock	3,492,711 (5)	9.76%
Christopher Skoog	Common Stock	-	0.00%
All Officers and Directors As a Group (5 persons)	Common Stock	26,173,819 (6)	73.15%
Regent Private Capital, LLC	Common Stock	3,392,500	9.48%
Curtis L. Rice	Series A Preferred Stock	3,015 (7)	11.82%
Ambulatory Systems Development (8)	Series A Preferred Stock	2,250	8.81%
TerraNova Partners, L.P. (9)	Series A Preferred Stock	4,500	17.64%
Charles C. Stephenson, Jr.	Series A Preferred Stock	4,500	17.64%
Lewis Yarborough	Series A Preferred Stock	2,250	8.81%
Industrial and Commercial Developments Pty, Ltd. (10)	Series A Preferred Stock	3,375	13.23%

(1) Unless otherwise noted, the mailing address of each beneficial owner is 3400 SE Macy Rd., #18, Bentonville, Arkansas 72712.

(2) Beneficial Ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to preferred stock, options or warrants currently exercisable or convertible, or exercisable or convertible within 60 days of March 31, 2015 are deemed outstanding for computing the percentage of the person holding such option or warrant but are not deemed outstanding for computing the percentage of any other person.

(3) Based upon 35,776,951 shares of common stock and 25,515 shares of Series A Convertible Preferred Stock issued and outstanding on March 31, 2015.

(4) Includes 2,340 shares of Series A Convertible Preferred Stock owned and 675 shares of Series A Convertible Preferred Stock owned by Rice Investments, LLC, of which Mr. Rice has voting and dispositive power of the shares held by such entity. The 3,015 shares of Series A Convertible Preferred Stock are convertible into 753,750 shares of common stock.

(5) Includes 2,207,989 shares of common stock and 2,250 shares of Series A Convertible Preferred Stock owned by Ambulatory Systems Development, of which Mr. Zasa has voting and dispositive power of the shares held by such entity. The 2,250 shares of Series A Convertible Preferred Stock are convertible into 562,500 shares of common stock.

(6) Includes 5,265 shares of Series A Convertible Preferred Stock that are convertible into 1,316,250 shares of common stock.

(7) Includes 675 shares of Series A Convertible Preferred Stock owned by Rice Investments, LLC, of which Mr. Rice has voting and dispositive power of the shares held by such entity.

(8) Robert Zasa, one of our directors, has sole voting and dispositive power of the shares held by Ambulatory Systems Development.

(9) Vahan Kololian has sole voting and dispositive power of the shares held by TerraNova Partners, L.P.

(10) Stefan J. Ahrens has sole voting and dispositive power of the shares held by Industrial and Commercial Developments Pty, Ltd.

Item 15. The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to the operations, business development and disclosure

1. Investment Banker - not applicable

2. Promoters – not applicable

3. Counsel
   Friday Eldredge & Clark, LLP
   600 S. 52nd Street, Suite 200
   Rogers, AR, 72758
   (479) 695-2011

4. Accountant or Auditor
   HoganTaylor LLP
   688 East Millsap Road, Suite 203
   Fayetteville, AR 72703
   (479) 521-9191
   postmaster@hogantaylor.com

   Responsibilities include, but not limited to, an audit of the consolidated balance sheets and related statements of operations, stockholders' deficit, and cash flows which are prepared by management of the Company.

5. Public Relations Consultant(s) – not applicable

6. Investor Relations Consultant(s) – not applicable

7. Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement - the information shall include the telephone number and email address of each advisor. – not applicable

Item 16. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following information should be read in conjunction with the consolidated financial statements and the notes thereto contained elsewhere in this report. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Information in this Item 16, "Management's Discussion and Analysis of Financial Conditions and Results of Operations," and elsewhere in this Annual Report that does not consist of historical facts, are "forward-looking statements." Statements accompanied or qualified by, or containing words such as "may," "will," "should," "believes," "expects," "intends," "plans," "projects," "estimates," "predicts," "potential," "outlook," "forecast," "anticipates," "presume," and "assume" constitute forward-looking statements, and as such, are not a guarantee of future performance. The statements involve factors, risks and uncertainties the impact or occurrence of which can cause actual results to differ materially from the expected results described in such statements. Risks and uncertainties can include, among others, fluctuations in general business cycles and changing economic conditions; changing product demand and industry capacity; increased competition and pricing pressures; advances in technology that can reduce the demand for our products, as well as other factors, many or all of which may be beyond our control. Consequently, investors should not place undue reliance on forward-looking statements as predictive of future results. We disclaim any obligation to update the forward-looking statements in this report.

Overview

WellQuest Medical & Wellness Corporation (“WellQuest”) was incorporated in the state of Oklahoma on November 8, 2004. We incorporated a wholly owned subsidiary in the State of Arkansas on May 5, 2005 as WellQuest Medical & Wellness Centers of Arkansas, Inc., which was subsequently re-registered as WellQuest of Arkansas, Inc. We formed WellQuest of Tulsa, LLC in March 2012, which is 65% owned by us as of December 31, 2014. We incorporated WellQuest of Oklahoma, Inc., a wholly owned subsidiary, in the state of Oklahoma on March 5, 2013.

We provide an integrated medical delivery site with family physician healthcare services, preventive/wellness services and medical

skin-care services. The integration of these services embraces the clinical synergy of medical treatments for illness, preventive/wellness services and products for health maintenance and medically supervised skin-care treatments for aesthetic enhancement.

Results of Operations

The following discussion of the financial condition and results of operations should be read in conjunction with the financial statements included herewith. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future.

Year ended December 31, 2014 compared to the year ended December 31, 2013

Site Performance and Consolidated Results. The Bentonville Site achieved net revenues in 2014 of approximately $4.16 million compared to slightly more than $4.2 million in 2013. Additionally, the Tulsa site achieved net revenues of approximately $1.18 million compared to slightly less than $55,000 in 2013. We believe the results of the Bentonville site affirm our concept for both delivery of services and business performance. The success of our Bentonville site confirmed our decision to accomplish our first replication with a new site in Tulsa, Oklahoma in November 2013. The consolidated results reflect investments of capital, debt and resources made by the Company to build, staff and launch our Tulsa site.

Summarized financial information is shown in the following table as of December 31, 2014 and 2013:

	For the year ended December 31, 2014				
	Bentonville, AR Site	Unallocated Bentonville Corporate	Tulsa, OK Site	Unallocated Tulsa, OK Corporate	Consolidated
Net revenue	$ 4,161,978	$ 5,170	$ 1,178,930	$ -	$ 5,346,078
Operating expenses	3,395,234	585,285	1,521,418	264,755	5,766,692
Income (loss) from operations	766,744	(580,115)	(342,488)	(264,755)	(420,614)
Other expense	-	(154)	-	-	(154)
Interest expense	-	(41,817)	-	(187,409)	(229,226)
Provision for income taxes - current	-	-	-	-	-
Preferred returns	-	-	-	(55,155)	(55,155)
Net income (loss)	$ 766,744	$ (622,086)	$ (342,488)	$ (507,319)	$ (705,149)

	For the year ended December 31, 2013				
	Bentonville, AR Site	Unallocated Bentonville Corporate	Tulsa, OK Site	Unallocated Tulsa, OK Corporate	Consolidated
Net revenue	$ 4,213,872	$ -	$ 54,925	$ -	$ 4,268,797
Operating expenses	3,625,024	500,380	319,843	220,184	4,665,431
Income (loss) from operations	588,848	(500,380)	(264,918)	(220,184)	(396,634)
Other expense	-	(198)	-	-	(198)
Interest expense	-	(47,293)	-	(57,411)	(104,704)
Preferred returns	-	-	-	(70,408)	(70,408)
Provision for income taxes - current	-	(4,396)	-	-	(4,396)
Net income (loss)	$ 588,848	$ (552,267)	$ (264,918)	$ (348,003)	$ (576,340)

Net Revenues. We had net revenues for the year ended December 31, 2014 of $5,346,078 compared to $4,268,797 for the year ended December 31, 2013. The increase of $1,077,281 is the result of an increase in revenues at our Tulsa site of approximately $1,124,000 in 2014 offset by a decrease of approximately $52,000 in revenues from our Bentonville site. Medical client volume increased in 2014 compared to 2013 (45,306 total client visits in 2014 versus 39,740 total client visits in 2013). The increase in medical client visits in 2014 is primarily due to the addition of the Tulsa facility in November 2013.

Operating Expenses. Operating expenses for the year ended December 31, 2014 were $5,766,692 compared to $4,665,431 for the year ended December 31, 2013. The increase of $1,101,261 was primarily due to increased Tulsa site operating expenses and unallocated corporate expenses in 2014. The Tulsa facility commenced operations in November 2013, which caused us to incur significant startup costs to market the Company's services and staff the facility and operate the facility during ramp-up of business.

Operating Loss. Operating loss for the year ended December 31, 2014 was $420,614 compared to an operating loss of $396,634 for

the year ended December 31, 2013. The increase of $23,980 was primarily the result of increased revenues at our Tulsa site offset by increased operating expenses, as discussed above.

Interest Expense. Interest expense for the year ended December 31, 2014 was $229,226 compared to $104,704 for the year ended December 31, 2013. The increase of $124,522 was primarily due to increased borrowings on our Tulsa working capital line of credit. The outstanding balance on the working capital line of credit was $826,299 at December 31, 2014 compared to $292,381 at December 31, 2013.

Preferred Returns. We recorded $55,155 and $70,408 of preferred returns for the Class B membership units in WellQuest of Tulsa, LLC for the years ended December 31, 2014 and 2013, respectively.

Net Loss. Net loss for the year ended December 31, 2014 was $705,149 compared to a net loss of $576,340 for the year ended December 31, 2013. This increase of $128,809 is primarily the result of increased interest expense incurred on loan borrowings during 2014, as discussed above.

Liquidity and Capital Resources

As of December 31, 2014, we had a working capital deficit of $686,059, resulting from current assets of $664,248 and current liabilities of $1,350,307. For the year ended December 31, 2014, cash used in operating activities totaled $800,565. Cash used in investing activities totaled $43,899. Cash provided by financing activities totaled $749,584.

Our days in medical accounts receivables were 46 days and 33 days as of December 31, 2014 and December 31, 2013, respectively. All medical spa services and product sales are paid at the point of service by credit cards, debit cards, checks or cash. Accounts receivable related to medical spa services are not material and are not included in this analysis. Medical clinic services provided by AMWPA and PCP of Tulsa are generally submitted to third-party insurance companies or Medicare within 48 hours of the time of service. Most claims are submitted electronically to the insurance companies and Medicare. These claims become accounts receivable at the time they are submitted to the insurance company. The aging of accounts receivable begins at the date of the billing submission. Insurance companies then review the electronic billing and either ask for more/corrected information, deny the particular service or part of a service or pay it electronically to a bank lock box or by check. In addition, each insurance company adjusts the billing amount for each specific service to the "insurance allowable rate" as specified in that insurance company's contracts with AMWPA and PCP of Tulsa. The insurance company will also identify any portions of the billing that are to be paid by the insured patient (patient responsible). These reviews and adjustments are communicated along with payments to us in an explanation of benefits from the insurance company.

We calculate days sales outstanding using average daily sales over the previous three months to arrive at an average daily charge amount. Medical clinic accounts receivable as of the end of the period is divided by the average daily charge amount to arrive at days sales outstanding. Below is a calculation of the days in medical accounts receivable as reported above:

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2013
Gross Medical Clinic Revenue (1)	$ 2,096,617	$ 1,416,045
Expense recorded for Contractual adjustment/Bad Debt Allowance	(697,932)	(487,779)
Net Medical Clinic Revenue	$ 1,398,685	$ 928,266
# of Days in period (2)	92	92
Average Daily Charge (3) = (1) / (2)	$ 22,789	$ 15,392
Medical Clinic Accounts Receivable (4)	$ 1,041,349	$ 506,286
Days in medical accounts receivable = (4) / (3)	46	33

We make every effort to collect any anticipated "client responsible" portions of a service bill (such as a co-pay or deductible) at the time of service. Payments by the insurance companies are posted to each client's account at the time it is received. Client payments are also posted as received. Accounts receivable are then reduced by the amounts of insurance contractual adjustments, insurance payments and client payments. At the time any amounts are determined to be owed by the client; printed bills are sent to the responsible party of the client. During all of these collection processes from the time of the initial billing date to the insurance companies, the accounts are individually and collectively aged. Due to the complexities of medical insurance policies, employer specific policies, and coverage qualifications, some appeals and interactions with insurance companies can result in three to nine months of claim reconciliation. If the client does not respond after three mailed billings, then the account is turned over to a collection company that pursues collection from the client. When an account is turned over for collection, it is removed from the accounts receivable and maintained in a bad debt recovery account and reserved at its

estimated realizable value. If the collection company fails in locating the client or in collecting the account due, then the balance of the account is written off against the allowance. Any amounts due under $5.00 are immediately written off due to the cost of collection exceeding the expected collection recovery.

On July 3, 2013, WellQuest of Tulsa obtained a note payable from a bank for $800,000 to be used for working capital. On August 3, 2014, the bank increased to amount available to borrow on this note to $980,000. The Company has used this loan to fund operations for the Tulsa facility during its start-up phase. The SBA guarantees 75% of the loan balance. The maturity date of the loan is January 3, 2022 and the loan bears interest at 6% per year. Interest only payments are required on the loan for the first 12 months from the date of the note and beginning with the 13th month, monthly principal and interest payments of $15,248 will be required. The loan is collateralized by third interests in substantially all of WellQuest of Tulsa's assets and a personal guarantee by the Company's CEO and guarantees by WellQuest Medical & Wellness Corporation and WellQuest of Arkansas. Additionally, the loan requires WellQuest of Tulsa to carry a life insurance policy on the Company's CEO in the amount of $800,000 with the lender designated as the beneficiary. At December 31, 2014, the balance on this note was $826,299.

Whereas we have been successful in the past in raising capital, no assurance can be given that these sources of financing will continue to be available to us and/or that demand for our equity/debt instruments will be sufficient to meet our capital needs, or that financing will be available on terms favorable to us. If funding is insufficient at any time in the future, we may not be able to take advantage of business opportunities or respond to competitive pressures, or may be required to reduce the scope of our planned service development and marketing efforts, any of which could have a negative impact on our business and operating results. In addition, insufficient funding may have a material adverse effect on our financial condition, which could require us to:

- curtail operations significantly;
- sell significant assets;
- seek arrangements with strategic partners or other parties that may require us to relinquish significant rights to products, technologies or markets; or
- explore other strategic alternatives including a merger or sale of our company.

Critical Accounting Policies

Accounts Receivable

Accounts receivable principally represent receivables from customers and third-party payors for medical services provided by clinic physicians, less an allowance for contractual adjustments and doubtful accounts. We estimate the collectability of receivables based on our collection history. We recorded contractual adjustments and bad debt expense of approximately $2,429,000 and $1,903,000 for the years ended December 31, 2014 and 2013, respectively. We recorded contractual adjustments of approximately $2,061,000 and $1,611,000 for the years ended December 31, 2014 and 2013, respectively. We recorded bad debt expense of approximately $368,000 and $292,000 for the years ended December 31, 2014 and 2013, respectively. Our revenues and receivables are reported at their estimated net realizable amounts and are subject to audit and adjustment. Provisions for estimated third-party payor settlements are provided in the period the related services are rendered and are adjusted in the period of settlement. Actual settlements could have an adverse material effect on our financial position and operations.

Our accounts receivable include amounts that are pending approval from third party payors. Claims for insured patients are first filed with insurance, at which time the net realizable amount is unknown. The insurance company processes the claim and calculates the payment made to us. The following factors are among those considered by the insurance company: adjustments based on contracted amounts for specific procedures, outstanding deductible for the patient, and co-insurance percentages. Our billing system does not separately track claims that are pending approval. Our billing system also does not track claims that are denied by a third party payor and ultimately paid by the patient. Thus, the amount of claims classified as insurance receivables that are reclassified to self-pay is not quantifiable. We calculate allowances for contractual adjustment and bad debts based on total accounts receivable outstanding.

	As of December 31, 2014			
	60 days or less	61 – 120 days	Greater than 120 days	Total
Medicare	$ 80,707	$ 60,960	$ 32,752	$ 174,419
Third party insurance (1)	477,021	165,840	(1,581)	641,280
Self pay (2)	38,428	27,814	159,408	225,650
Total accounts receivable	$ 596,156	$ 254,614	$ 190,579	$ 1,041,349

	As of December 31, 2013			
	60 days or less	61 – 120 days	Greater than 120 days	Total
Medicare	$ 35,157	$ 5,287	$ (1,573)	$ 38,871
Third party insurance (1)	379,437	29,885	(33,677)	375,645
Self pay (2)	47,277	31,735	12,758	91,770
Total accounts receivable	$ 461,871	$ 66,907	$ (22,492)	$ 506,286

(1) Third party insurance represents claims made to insurance companies not classified as Medicare, Medicaid, or other government-backed program.
(2) Self pay receivables are defined as all amounts due from individuals. The amounts can include amounts due from uninsured patients and co-payments or deductibles.

Revenue Recognition

The Company recognizes revenue when there is persuasive evidence of an arrangement, delivery has occurred or services have been rendered, the sales price is determinable and collectability is reasonably assured.

Our net revenue is comprised of net clinic revenue and revenue derived from the sales of spa services and related products. Net clinic revenue is recorded at established rates reduced by provisions for doubtful accounts and contractual adjustments. Contractual adjustments arise as a result of the terms of certain reimbursement and managed care contracts. Such adjustments represent the difference between charges at established rates and estimated recoverable amounts and are recognized in the period the services are rendered. Any differences between estimated contractual adjustments and actual final settlements under reimbursement contracts are recognized in the year they are determined.

Aesthetics revenues are recognized at the time of sale, as this is when the services have been provided or, in the case of product revenues, delivery has occurred, and the aesthetics department receives the customer's payment. Revenues from pre-paid purchases are also recorded when the customer takes possession of the merchandise or receives the service. Pre-paid purchases are defined as either gift cards or series sales. Series sales are the purchase of a series of services to be received over a period of time. Pre-paid purchases are recorded as a liability (deferred revenue) until they are redeemed. Pre-paid purchases expire two years from the date of the customer's purchase.

Share-Based Payments

In calculating the value of shares issued for goods or services received in a share-based payment transaction with nonemployees, we consider whether the fair value of the goods or services is more reliably measurable than the fair value of the equity instruments issued. If the fair value of the goods or services is more reliably measurable than the fair value of the equity instruments issued, then, the fair value of the goods or services received shall be used to measure the transaction. In contrast, if the fair value of the equity instruments issued in a share-based payment transaction with nonemployees is more reliably measurable than the fair value of the consideration received, the transaction shall be measured based on the fair value of the equity instruments issued. We recognize the fair value of stock-based compensation awards in general corporate expense in the consolidated statements of operations on a straight-line basis over the vesting period.

Off-Balance Sheet Arrangements

None.

Part E – Issuance History

Item 17. List of securities offerings and shares issued for services in the past two years

The Company has not conducted a formal offering of securities in the past two fiscal years. In the notes to the enclosed financial statements (Notes 65 and 6), we disclose issuances of common stock resulting from subordinated debenture conversions and the conversion of accrued liabilities to common stock.

Part F – Exhibits

Item 18. Material Contracts

The Company's material contracts have been previously disclosed and can be viewed at www.otcmarkets.com/stock/WEQL/filings under the heading “OTC Disclosure & News Service”.

Item 19. Articles of Incorporation and Bylaws

The Company's articles of incorporation and bylaws have been previously disclosed and can be viewed at www.otcmarkets.com/stock/WEQL/filings.

Item 20. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 21. Issuer's Certifications

I, Steve Swift, President and Chief Executive Officer of WellQuest Medical and Wellness Corporation, certify that:

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

Date: March 31, 2015

/s/ Steve Swift

Steve Swift
President and Chief Executive Officer

I, Josh Estes, Chief Financial Officer of WellQuest Medical and Wellness Corporation, certify that:

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

Date: March 31, 2015

/s/ Josh Estes

Josh Estes
Chief Financial Officer