



Decision Diagnostics Corp.

OTC Pink Balance Sheet, Statements of Equity & Cash Flows, Footnotes to Balance Sheet

Quarterly Report for Period Ended June 30, 2016

The following pages present the unaudited financial statements along with Statements of Equity and Cash Flows, and the Footnotes to the Balance Sheet for Decision Diagnostics Corp., for the quarters ended June 30, 2016, and 2015. The financial statements have been prepared in accordance with generally accepted accounting principles.

Trading Symbol: **DECN**

CUSIP Number: **243443 108**

Decision Diagnostics Corp.
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash	\$ 1,523,077	\$ 626,429
Accounts receivable, net	214,898	125,287
Inventory	498,753	4,450
Prepaid expenses	2,062,534	1,609,175
Total current assets	4,299,261	2,365,341
Fixed assets:		
Specialty manufacturing equipment	560,995	260,995
	560,995	260,995
Less accumulated depreciation	-	-
Fixed assets, net	560,995	260,995
Other assets:		
Intellectual property	1,022,955	732,705
Patent licenses, net value	550,000	-
Total other assets	1,572,955	732,705
Total assets	<u>\$ 6,433,211</u>	<u>\$ 3,359,041</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 724,554	\$ 864,158
Contingent legal fees	240,000	-
Subscriptions payable	-	77,500
Notes payable and short term debt (Note 5)	1,858,949	1,060,175
Total current liabilities	3,056,084	2,001,833
Derivative liabilities	-	610,316
Contingencies	245,069	245,069
Stockholders' equity (deficit):		
Preferred stock, \$0.001 par value, 3,738,500 shares authorized, no shares issued and outstanding as of June 30, 2016 and December 31, 2015	-	-
Preferred series "B" stock, \$0.001 par value, 2,500 shares authorized, 1,000 issued and outstanding as of June 30, 2016 and December 31, 2015	1	1
Preferred series "C" stock, \$0.001 par value, 10,000 shares authorized, 6,360 and 4,085 shares issued and outstanding as of June 30, 2016 and December 31, 2015	6	4
Preferred series "D" stock, \$0.001 par value, 500 shares authorized, no shares issued and outstanding as of as of June 30, 2016 and December 31, 2015	-	-
Preferred series "E" stock, \$0.001 par value, 1,250,000 shares authorized, 933,240 and 687,540 issued and outstanding as of June 30, 2016 and December 31, 2015	934	688
Common stock, \$0.001 par value, 494,995,000 shares authorized, 75,748,149 and 58,782,484 shares issued and outstanding as of June 30, 2016 and December 31, 2015	75,549	58,784
Common stock unissued, 1,410,000 shares as of June 30, 2016 and December 31, 2015	1,411	1,411
Subscription receivable	(82,250)	(77,250)
Unit offering finders' fees	(321,344)	(321,344)
Additional paid-in capital	43,318,398	39,025,467
Retained (deficit)	(39,860,646)	(38,185,937)
Total stockholders' equity	3,132,059	501,823
Total liabilities and stockholders' equity	<u>\$ 6,433,211</u>	<u>\$ 3,359,041</u>

The accompanying Notes are an integral part of these financial statements.

Decision Diagnostics Corp.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Revenue	\$ 252,547	\$ 89,651	\$ 416,396	\$ 178,755
Cost of sales	114,497	3,326	226,357	66,484
Gross profit	138,050	86,325	190,039	112,271
Expenses:				
General & administrative expenses	135,251	146,876	255,418	233,560
Consulting	203,515	46,498	225,897	64,296
Payroll expense	11,600	9,960	18,200	16,576
Professional fees	107,390	287,666	1,366,545	1,605,057
Total expenses	457,756	491,000	1,866,060	1,919,489
Net operating (loss)	(319,706)	(404,675)	(1,676,021)	(1,807,218)
Other income (expense):				
Financing costs	(570,506)	-	(673,163)	(16,965)
Interest expense, net	(111,667)	(67,276)	(111,667)	(139,092)
Loss on obsolete inventory	(211,459)	-	(211,459)	-
Gain on patent licenses	1,000,000	-	1,000,000	-
Total other income (expense)	106,368	(67,276)	3,711	(156,057)
Taxes				
State	-	-	(2,400)	(1,212)
Net loss	\$ (213,337)	\$ (471,951)	\$ (1,674,709)	\$ (1,964,487)
Add: Dividends declared on preferred stock	-	-	-	-
Income available to common shareholders'	\$ (213,337)	\$ (471,951)	\$ (1,674,709)	\$ (1,964,487)
Weighted average number of common shares outstanding - basic and fully diluted	66,836,574	48,998,894	62,073,670	47,898,586
Net income (loss) per share - basic and fully diluted	\$ (0.00)	\$ (0.01)	\$ (0.03)	\$ (0.04)

The accompanying Notes are an integral part of these financial statements.

Decision Diagnostics Corp.
Statements of Shareholders' Equity
(Unaudited)

Date	Shareholder	Preferred "B"		Preferred "C"		Preferred "E"		Common Stock		APIC	Authorized Unissued	Subscription Receivable	Finders' Fees	RE	Total
		# Shares	Amt	# Shares	Amt	# Shs	Amt	# Shs	Amt						
BALANCE	December 31, 2015	1,000	1	4,085	4	687,540	688	58,782,484	58,782	39,025,468	1,410	(77,250)	(321,344)	(38,185,937)	623,437
2/2/2016	New Issuance-Alpha Capital Anstalt							970,980	971	154,386					155,357
2/17/2016	New Issuance-Alpha Capital Anstalt							1,614,248	1,614	224,380					225,995
2/25/2016	New Issuance-Robert Herskow itz					100,000	100	750,000	750	119,150					120,000
3/21/2016	New Issuance-Paradigm Capital Holdings			800	1			1,400,000	1,400	488,599					490,000
3/21/2016	New Issuance-Robert Herskow itz							200,000	200	69,800					70,000
3/29/2016	New Issuance-Alpha Capital Anstalt							404,630	405	141,216					141,621
3/29/2016	New Issuance-James J Loures							500,000	500	29,500					30,000
	Net loss													(1,461,372)	(1,461,372)
BALANCE	March 31, 2016	1,000	1	4,885	5	787,540	788	64,622,342	64,622	40,252,500	1,410	(77,250)	(321,344)	(39,647,309)	395,037
4/13/2016	New Issuance-Robert Herskow itz							280,000	280	28,280					28,560
4/13/2016	New Issuance-Robert Herskow itz							280,000	280	28,280					28,560
4/13/2016	New Issuance-Robert Herskow itz 2011 Irv TR							140,000	140	14,140					14,280
4/13/2016	New Issuance-Chase Financial							148,160	148	14,964					15,112
4/13/2016	New Issuance-Mark Herskow itz							185,195	185	18,707					18,892
4/13/2016	New Issuance-Andrew Schoenzeit							37,040	37	3,741					3,778
4/13/2016	New Issuance-Robert Herskow itz 2011 Irv TR							431,376	432	43,568					44,000
4/26/2016	New Issuance-LICGO Partners							1,837,500	1,838	185,486					187,324
4/26/2016	Conversion-Mayer & Associates					(14,300)	(14)	200,200	-	14					-
5/2/2016	New Issuance-Robert Herskow itz							472,106	472	47,683					48,155
5/5/2016	New Issuance-Alpha Capital Anstalt							998,099	998	100,808					101,806
5/17/2016	New Issuance-Alpha Capital Anstalt							422,669	423	42,689					43,112
5/17/2016	New Issuance-Navesink			(125)	-			625,000	625	(500)					-
5/18/2016	New Issuance-LICGO Partners							525,000	525	53,025					53,550
5/18/2016	Conversion-Mayer & Associates							220,000	220	(220)					-
6/1/2016	New Issuance-Alpha Capital Anstalt							814,314	814	82,095					83,060
6/6/2016	New Issuance-Mark Herskow itz							1,000,000	1,000	101,000					102,000
6/6/2016	New Issuance-Chase Financing Inc Profit Sh.							1,050,000	1,050	106,050					107,100
6/6/2016	New Issuance-Robert Herskow itz							280,000	280	28,280					28,560
6/6/2016	New Issuance-Robert Herskow itz 2011 Irv TR							70,000	70	7,070					7,140
6/6/2016	New Issuance-Mark Herskow itz 401K Trust					100,000	100	-	-	(100)					-
6/6/2016	New Issuance-Chase Financing Inc Profit Sh.					35,000	35	-	-	(35)					-
6/6/2016	New Issuance-Chase Financing					25,000	25	-	-	(25)					-
6/8/2016	New Issuance-Alpha Capital Anstalt							484,148	484	48,900					49,384
6/27/2016	New Issuance-Navesink			(125)	-			625,000	625	(500)					-
6/30/2016	New Issuance-LICGO Partners			1,725	1					549,999					550,000
6/30/2016	Closed preferred offering									1,562,500		(5,000)			1,557,500
	Net loss													(213,337)	(213,337)
BALANCE	June 30, 2016	1,000	1	6,360	6	933,240	934	75,748,149	75,549	43,318,398	1,411	(82,250)	(321,344)	(39,860,646)	3,132,059

Decision Diagnostics Corp.
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended	
	June 30,	
	2016	2015
Cash flows from operating activities		
Net loss	\$ (1,674,709)	\$ (1,964,487)
Adjustments to reconcile net loss to		
net cash (used) by operating activities:		
Shares and options issued for services	490,000	596,200
Shares issued for financing fees	673,163	16,965
Gain on patent license	(1,000,000)	-
Loss on writedown of obsolete inventory	211,459	-
Changes in operating assets and liabilities		
Accounts receivable	(89,610)	(96,667)
Inventory	(705,762)	56,894
Prepaid and other assets	(3,359)	(13,416)
Accounts payable and accrued liabilities	(139,604)	388,122
Contingent legal fees	240,000	-
Accrued interest	232,581	139,092
Net cash (used) by operating activities	(1,765,842)	(877,297)
Cash flows from investing activities		
Fixed assets	(300,000)	(214,975)
Intellectual property	(290,250)	(266,992)
Net cash (used) by investing activities	(590,250)	(481,967)
Cash flows from financing activities		
Proceeds from notes payable	1,192,740	307,666
Subscriptions payable	(77,500)	-
Shares issued and options exercised for cash	2,137,500	-
Net cash provided by financing activities	3,252,740	307,666
Net decrease in cash	896,648	(1,051,598)
Cash - beginning	626,429	1,750,002
Cash - ending	\$ 1,523,077	\$ 698,404
Supplemental disclosures:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ 2,400	\$ 1,212
Non-cash transactions:		
Shares and options issued for services	\$ 490,000	\$ 596,200
Shares issued for financing activities	\$ 673,163	\$ 16,965
Shares issued for debt and derivative liabilities	\$ 1,004,282	\$ 620,269

The accompanying Notes are an integral part of these financial statements.

DECISION DIAGNOSTICS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

NOTE 1 – Basis of presentation and accounting policies

Basis of Presentation

The condensed consolidated interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated interim financial statements be read in conjunction with the consolidated financial statements of the Company for the period ended December 31, 2015 and notes thereto included in the Company's annual filing. The Company follows the same accounting policies in the preparation of consolidated interim reports.

Results of operations for the interim periods are not indicative of annual results.

Recent Accounting Pronouncements

Management has analyzed all pronouncements issued during the six months ended June 30, 2016 by the FASB or other authoritative accounting standards groups with future effective dates, and have determined that they are not applicable or are not expected to be significant to the financial statements of the Company.

Year-end

We have adopted December 31 as our fiscal year end.

NOTE 2 – Going concern

The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern. Our ability to continue as a going concern is dependent upon attaining profitable operations based on the development of distributions platforms through which our products that can be sold. We intend to use borrowings and security sales to mitigate the effects of our cash position, however, no assurance can be given that debt or equity financing, if required, will be available. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should we be unable to continue in existence.

NOTE 3 – Fair value

Our financial instruments consist principally of notes payable and lines of credit. Notes payable and lines of credit are financial liabilities with carrying values that approximate fair value. Management determines the fair value of notes payable and lines of credit based on the effective yields of similar obligations and believe all of the financial instruments' recorded values approximate fair market value because of their nature and respective durations.

We comply with the provisions of ASC 820, "*Fair Value Measurements and Disclosures*" ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements required under other accounting pronouncements. ASC 820-10-35, "*Fair Value Measurements and Disclosures - Subsequent Measurement*" ("ASC 820-10-35"), clarifies that fair value is an exit price, representing the

amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820-10-35 also requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best information available. Assumptions include the risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model. The Company also follows ASC 825 “*Interim Disclosures about Fair Value of Financial Instruments*”, to expand required disclosures.

ASC 820-10-35 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10-35 are described below:

Level 1. Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2. Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3. Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company utilizes the best available information in measuring fair value. The following table summarizes, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as of June 30, 2016 and 2015:

	FYE 2016 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Intellectual property	\$ -	\$ -	\$ 1,022,955	\$ 1,022,955
Patent licenses, net value			550,000	550,000
Liabilities				
Notes payable	-	(1,858,949)	-	(1,858,949)
Total	\$ -	\$ (1,858,949)	\$ 1,572,955	\$ (285,944)
	FYE 2015 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Intellectual property	\$ -	\$ -	\$ 732,705	\$ 732,705
Liabilities				
Notes payable	-	(1,060,175)	-	(1,060,175)
Total	\$ -	\$ (1,060,175)	\$ 732,705	\$ (327,470)

NOTE 4 – Equipment – Specialty Manufacturing Instruments

On June 1, 2015 the company entered into a wide-ranging manufacturing and product development agreement with a large venture funded Korean concern. On July 8, 2015 the company enhanced its role in this agreement through the purchase of and investment in computer controlled, specialty manufacturing equipment that is now located in the Korean facility of the Company’s R&D and contract manufacturing partner. The company completed this purchase through a \$550,000 derivative financing lead by Alpha Credit Anstalt. The company began regular shipments in the 2Q 2016, and the products are commercially available as of June 30, 2016. The company is obligated to abide by new FDA

regulation regarding product identification and registration, the so-called FDA UDI initiative, and has had to alter packaging and its establishment registrations to accommodate this change. Shipments using the new FDA UDI packaging will begin in the 4Q 2016.

NOTE 5 – Patents

During the first quarter, 2015, we acquired two patents, U.S. Patent 6,153,069 Apparatus for Amerometric Diagnostic Analysis and 6,413,411 Method and Apparatus for Amperometric Diagnostic Analysis, for cash totaling \$250,000.

During the first quarter, 2016, we completed assignments of the two aforementioned patents for cash totaling \$275,000.

During the second quarter, 2016, we acquired patent licenses through litigation valued by us at \$1,000,000 (gain on patent licenses), with a capitalized net book value of \$550,000.

NOTE 6 – Acquisition of Certain Properties

In March 2014 the Company agreed to acquire certain properties from Shasta Technologies LLC. The agreement covering this acquisition is now the subject of two litigations, one litigation related to the remaining proceeds of an IP defense insurance policy, the other litigation concerning damages the company is trying to collect from Shasta Technologies LLC owing to Shasta's subsequent undisclosed issues with the U.S. FDA. The original purchase price for this property was expected to be \$2,000,000 (cash). The company is anticipating offsets much higher than the assets purchase price. The Company has not yet recorded this acquisition on its books for several reasons: (1) Shasta's ongoing issues with the FDA, total lack of documentation, and untruthfulness lead to the company's redesign of the product, and (2) acquisition terms have not yet been fully determined and the final acquisition price to be determined by the court. A Federal court Mediation is being held late in August 2016 and should this Mediation be successful the company can then value its Genstrip assets fairly and end its communications with Shasta. The company did register this FDA cleared product with the US FDA in 2014, 2015 and 2016 and plans on re-registering the product again in 2017. The registration process changed in 2016 due to the FDA's implementation of its UDI product registration and reporting regulations. The company has complied with these regulations, prior to their September 24, 2016 effective date.

NOTE 7 – Interest and financing expenses

We have recorded interest and financing expense in connection with our notes payable totaling \$111,667 and \$67,276 and \$673,163 and \$16,965 for the six months ended June 30, 2016 and 2015, respectively.

NOTE 8 – Stockholder's equity

We are authorized to issue up to 494,950,000 shares of \$0.001 par value common stock and 5,000,000 shares of various classes of \$0.01 par value preferred stock. In March of 2011, we amended our preferred stock designations as follows: 1) withdrawal of Series "A" designation on 750,000 shares of preferred stock, 2) Amendment of Series "C" designation on to 10,000 shares of preferred stock, 3) Designation of Series "B" on 2,500 shares of preferred stock, 4) Designation of Series "D" on 500 shares of preferred stock and 5) increased the number of preferred shares designated as Series "E" from 1,000,000 to 1,250,000. All presentation of preferred stock contained herein has been retroactively presented to reflect the designations and amendments.

Series "B" convertible preferred stock

We have designated 2,500 shares of our \$0.001 preferred stock as Series "B". Holders of series "B": convertible stock shall not have the right to vote on matters that come before the shareholders. Each share of Series "B" Preferred stock is valued at \$10,000. Series "B" convertible preferred stock may be converted, the number of shares into which one share of Series "B" Preferred Stock shall be convertible into common stock shares shall be 15,000. Series "B"

convertible stock shall rank senior to common stock in the event of liquidation. Holders' of Series "B" convertible stock shall not be entitled to a mandatory monthly dividend. Series "B" convertible stock shall have a redemptions price equal to 101% of the purchase price per share, subject to adjustments resulting from stock splits, recapitalization, or share combination.

Series "C" convertible preferred stock

We have designated 10,000 shares of our \$0.001 preferred stock as 2011 Series "C". Each share of 2011 Series C Preferred stock is valued at \$1,000. Holders of series "C": convertible stock shall not have the right to vote on matters that come before the shareholders. 2011 Series "C" convertible preferred stock may be converted after 36 months, but not before unless by Board Resolution, the number of shares into which one share of 2011 Series "C" Preferred Stock shall be convertible on a pro-rata basis into common stock shares, each share of common stock valued at \$.20. 2011 Series "C" convertible stock shall rank junior to all other classes of Preferred stock in the event of liquidation. Holders of 2011 Series "C" convertible stock shall not be entitled to a mandatory monthly dividend.

Series "D" convertible preferred stock

We have designated 500 shares of our \$0.001 preferred stock as 2012 Series "D". We have not issued any shares of this issue of Preferred stock. Holders of series "D": convertible stock shall not have the right to vote on matters that come before the shareholders. 2012 Series "D" convertible preferred stock may be converted immediately upon distribution. The number of shares into which one share of 2012 Series "D" Preferred Stock shall be convertible into common stock shares is 1 for 120,000 shares of \$0.001 par value common stock. 2012 Series "D" convertible stock shall rank junior to all other classes of Preferred stock in the event of liquidation. Holders of 2012 Series "D" convertible stock shall not be entitled to a mandatory monthly dividend.

Series E convertible preferred stock

We have designated 1,250,000 shares of our \$0.001 preferred stock as Series "E". Holders of series "E": convertible stock shall not have the right to vote on matters that come before the shareholders. Series "E" convertible preferred stock may be converted, the number of shares into which one share of Series "E" Preferred Stock shall be convertible into common stock shares shall be 14. Series "E" convertible stock shall rank senior to common stock in the event of liquidation. Holders' of Series "E" convertible stock shall not be entitled to a mandatory monthly dividend. Series "E" convertible stock shall have a redemptions price equal to 101% of the purchase price per share, subject to adjustments resulting from stock splits, recapitalization, or share combination.

2016 Issuances

Preferred

Series "C":

During the quarter ended June 30, 2016, we issued 1,725 shares of preferred series "C" shares for cash of \$550,000 pursuant to the terms of our preferred series "C" offering memorandum.

During the quarter ended June 30, 2016, 250 shares of preferred series "C" shares were converted into 1,250,000 shares of our \$0.001 par value common stock.

Series "E":

During the quarter ended March 31, 2016, we issued 100,000 shares of preferred series "E" shares along with 750,000 shares of \$0.001 par value common stock for financing costs (\$32,656) and derivative liability (\$87,344) totaling \$120,000.

During the quarter ended June 30, 2016, we issued 160,000 shares of preferred series "E" shares for financing costs.

During the quarter ended June 30, 2016, 14,300 preferred series “E” shares were exchanged for 200,200 shares of \$0.001 par value common stock.

Common Stock

During the quarter ended March 31, 2016, we issued 1,400,000 shares of \$0.001 par value common stock for consulting services valued at \$490,000.

During the quarter ended March 31, 2016, we issued 3,189,858 shares of \$0.001 par value common stock for the settlement of liquidated damages due to pre-contracted terms allowing for the issuance of shares in the event certain debt covenant terms were violated. The shares were valued on date of grant at \$680,316, and were recorded against derivative liability of \$610,316 and financing expense of \$70,000.

During the quarter ended March 31, 2016, we issued 500,000 shares of \$0.001 par value common stock for an option exercise and cashtotaling \$30,000.

During the quarter ended June 30, 2016, we issued 5,593,194 shares of \$0.001 par value common stock for financing expenses totaling \$570,506.

During the quarter ended June 30, 2016, we issued 3,862,413 shares of \$0.001 par value common stock at the election of noteholders to satisfy convertible debt totaling 393,966.

During the quarter ended June 30, 2016, 250 shares of preferred series “C” shares were converted into 1,250,000 shares of our \$0.001 par value common stock.

During the quarter ended June 30, 2016, 14,300 preferred series “E” shares were exchanged for 200,200 shares of \$0.001 par value common stock.

2015 Issuances

Preferred

During the quarter ended March 31, 2015, a Holder of the Company’s preferred series “E” shares elected to convert 50,366 shares into 705,124 shares of \$0.001 par value common stock.

During the quarter ended March 31, 2015, the Company issued 235,000 shares of preferred series “E” shares for services valued at \$58,750.

During the quarter ended March 31, 2015, the Company issued 67,860 shares of preferred series “E” shares for financing costs valued at \$16,965.

During the quarter ended June 30, 2015, the Company issued 30,000 shares of preferred series “E” shares for services valued at \$5,700.

During the quarter ended June 30, 2015, a Holder of the Company’s preferred series “E” shares elected to convert 67,860 shares into 950,040 shares of \$0.001 par value common stock.

Common

During the quarter ended March 31, 2015, the Company issued 1,875,000 shares of \$0.001 par value common stock for consulting services valued at \$468,750.

During the quarter ended March 31, 2015, the Company issued 850,000 shares of \$0.001 par value common stock for the settlement of liquidated damages due to pre-contracted terms allowing for the issuance of shares in the event certain debt covenant terms were violated. The shares were valued on date of grant at \$204,000.

During the quarter ended March 31, 2015, the Company issued 705,124 shares of \$0.001 par value common stock for 50,366 shares of previously issued and converted preferred series "E" shares.

During the quarter ended June 30, 2015, the Company issued 2,540,121 shares of \$0.001 par value common stock for convertible debt and the settlement of liquidated damages due to pre-contracted terms allowing for the issuance of shares in the event certain debt covenant terms were violated. The shares were valued on date of grant at \$381,019.

During the quarter ended June 30, 2015, the Company issued 350,000 shares of \$0.001 par value common stock for consulting services valued at \$63,000.

During the quarter ended June 30, 2015, the Company issued 950,040 shares of \$0.001 par value common stock for 67,860 shares of previously issued and converted preferred series "E" shares.

NOTE 9 – Commitments and Contingencies

Contingencies and Litigation

The Company transacts commerce in several medical products market channels. They also transact commerce by licensing our proprietary medical software that functions by moving confidential medical data through our proprietary medical information technology devices and networks. The Company's GenStrip 50 and GenUltimate! products required initial regulatory approval by the USFDA as well as on-going USFDA approvals during the product life cycle and are subject to new FDA regulation and post market overview.

Further, these products required medical patient trials and competes directly with a major platform manufacturer. Healthcare, especially those segments where the company competes, is a very litigious. Competing companies often use litigation as a marketing tool, bringing litigation as a means to protect market share and limit market exposure. The Company has in the past (and currently) defended cases brought by Plaintiffs asserting these types of claims.

The medical industry is also intertwined. From time to time, the Company has become involved in claims and litigation that arise out of the normal course of business, such as litigation that emerges from disputes over damaged, missing or contaminated product, litigation that arises over payment disputes or claims of fair value. They have defended cases of this nature. For instance, the Company has been sued in several jurisdictions over a single business transaction. Often these cases involve substantial over-prosecution where the company and its directors have been held accountable by Plaintiffs for a myriad of things including words written or posted in public forums by anonymous persons.

The Company may also become involved in disputes that arise over the business or business practices of their suppliers, payers and customers, people or entities that the Company may not be familiar with. The company maintains substantial insurance coverage against suits that may arise over issues of damaged, recalled or counterfeit product and other product liability issues. The company has also been a victim of the unapproved acts of prior management. These acts have resulted in claims from individuals and entities since the Board relieved former management of duty in 2006. Nonetheless, these claims have resulted in the use of management time and company resources to investigate, litigate, or settle. In addition, the company accrues contingent legal fees and product liability fees. As of June 30, 2016, our contingent legal fees accrual was \$240,000 and our general contingencies accrual was \$245,069.

From time to time, the company may also be subject to demands from individuals or entities. These demands and disputes may consume management time and company resources. Other than as noted below, if there is such a disclosure, there are no pending matters at the current time that in management's judgment may be considered material or potentially material.

NOTE 10 – Subsequent events

In accordance with ASC 855, management evaluated all activity of the Company through the issue date of the financial statements and concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

Corporate Actions Completed

On August 5, 2016 the company completed several corporate actions under the business laws of the State of Nevada, undertaken by the Board of Directors in an effort to “clean up” from its shareholder rolls over 740 lost shareholders. This clean-up included only shareholders that their individual brokers or former brokers could not find or contact for one reason or another at least since 2011. All of these people were holders of less than 25 shares each. The overwhelming majority of these lost shareholders had less than 5 shares. The cumulative number of shares previously held by these lost shareholders is approximately 4,020.