# Decision Diagnostics Corp.

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

## Quarterly Report for Period Ended September 30, 2017

**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 September 30, 2017, and 2016. 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)**

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash | $ 791,937 | $ 1,351,860 |
| Accounts receivable, net | 588,871 | 537,131 |
| Inventory | 399,590 | 407,463 |
| Prepaid expenses | 1,110,120 | 1,611,995 |
| Total current assets | 2,890,518 | 3,908,449 |
| Fixed assets: | | |
| Specialty manufacturing equipment | 802,315 | 737,425 |
| | 802,315 | 737,425 |
| Less accumulated depreciation | - | - |
| Fixed assets, net | 802,315 | 737,425 |
| Other assets: | | |
| Intellectual property | 547,875 | 502,130 |
| Patent licenses, net value | 1,075,825 | 1,075,825 |
| Total other assets | 1,623,700 | 1,577,955 |
| Total assets | $ 5,316,533 | $ 6,223,829 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 806,232 | $ 723,171 |
| Accrued interest | 180,358 | 355,055 |
| Contingent legal fees | 240,000 | 240,000 |
| Notes payable and short term debt (Note 5) | 2,254,447 | 2,301,661 |
| Total current liabilities | 3,481,037 | 3,619,887 |
| 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 September 30, 2017 and December 31, 2016 | - | - |
| Preferred series "B" stock, $0.001 par value, 2,500 shares authorized, 1,000 issued and outstanding as of September 30, 2017 and December 31, 2016 | 2 | 2 |
| Preferred series "C" stock, $0.001 par value, 10,000 shares authorized, 6,473 and 6,235 shares issued and outstanding as of September 30, 2017 and December 31, 2016 | 6 | 6 |
| Preferred series "D" stock, $0.001 par value, 500 shares authorized, 370 shares issued and outstanding as of as of September 30, 2017 and December 31, 2016 | - | - |
| Preferred series "E" stock, $0.001 par value, 1,250,000 shares authorized, 863,240 and 843,240 issued and outstanding as of September 30, 2017 and December 31, 2016 | 863 | 843 |
| Common stock, $0.001 par value, 494,995,000 shares authorized, 100,329,643 and 81,965,005 shares issued and outstanding as of September 30, 2017 and December 31, 2016 | 101,072 | 84,431 |
| Common stock unissued, 1,410,000 shares as of September 30, 2017 and December 31, 2016 | 1,411 | 1,411 |
| Subscription receivable | (3,332,250) | (82,250) |
| Unit offering finders' fees | (321,344) | (321,344) |
| Additional paid-in capital | 48,307,142 | 44,041,778 |
| Retained (deficit) | (43,166,475) | (41,366,004) |
| Total stockholders' equity | 1,590,427 | 2,358,873 |
| Total liabilities and stockholders' equity | $ 5,316,533 | $ 6,223,829 |

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

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

| | | Preferred "B" | | Preferred "C" | | Preferred "D" | | Preferred "E" | | Common Stock | | | Authorized | Subscription | Finders' | Retained | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date | Shareholder | # Shares | Amt | # Shares | Amt | # Shares | Amt | # Shs | Amt | # Shs | Amt | APIC | Unissued | Receivable | Fees | (Deficit) | Total |
| | ***Net loss*** | | | | | | | | | | | | | | | ***#REF!*** | ***(334,325)*** |
| **BALANCE, December 31, 2016** | | ***1,000*** | ***2*** | ***6,235*** | ***6*** | | | ***843,240*** | ***843*** | ***84,629,908*** | ***84,430*** | ***44,041,778*** | ***1,411*** | ***(82,250)*** | ***(321,344)*** | ***(41,366,004)*** | ***2,358,872*** |
| 1/9/2017 | New Issuance-Alpha Capital Anstalt | | | | | | | | | 971,074 | 971 | 98,078 | | | | | 99,050 |
| 1/9/2017 | New Issuance-Mark Herskowitz | | | | | | | | | 400,000 | 400 | 40,400 | | | | | 40,800 |
| 1/31/2017 | Stock options issued to employees | | | | | | | | | | | 36,000 | | | | | 36,000 |
| 3/1/2017 | New Issuance-Alpha Capital Anstalt | | | | | | | | | 989,425 | 989 | 107,847 | | | | | 108,837 |
| 3/3/2017 | New Issuance-Chase Financing | | | | | | | 50,000 | 50 | | | 5,950 | | | | | 6,000 |
| 3/3/2017 | New Issuance-Chase Financing Inc Profit Sh. | | | | | | | 70,000 | 70 | | | 8,330 | | | | | 8,400 |
| 3/3/2017 | Conversion-Chase Financing | | | | | | | (100,000) | (100) | 1,400,000 | 1,400 | (1,300) | | | | | - |
| 3/3/2017 | New Issuance-Robert Herskowitz | | | | | | | | | 560,000 | 560 | 66,640 | | | | | 67,200 |
| 3/3/2017 | New Issuance-R Herskowitz 2011 Irrv. TR | | | | | | | | | 140,000 | 140 | 16,660 | | | | | 16,800 |
| 3/10/2017 | Issuance-Mark Herskowitz | | | | | | | | | 400,000 | 400 | 40,400 | | | | | 40,800 |
| 3/21/2017 | New Issuance-Alpha Capital Anstalt | | | | | | | | | 355,803 | 356 | 35,936 | | | | | 36,292 |
| | ***Net loss*** | | | | | | | | | | | | | | | ***(435,829)*** | ***(435,829)*** |
| **BALANCE, MARCH 31, 2017** | | ***1,000*** | ***2*** | ***6,235*** | ***6*** | | | ***863,240*** | ***863*** | ***89,846,210*** | ***89,647*** | ***44,496,720*** | ***1,411*** | ***(82,250)*** | ***(321,344)*** | ***(41,801,833)*** | ***2,383,221*** |
| 4/19/2017 | Conversion-Paradigm Capital Holdings | | | (80) | - | | | | | 400,000 | 400 | (400) | | | | | - |
| 4/19/2011 | New Issuance-LICGO Partners | | | 157 | - | | | | | - | - | - | | | | | - |
| 5/10/2017 | Conversion-Navesink | | | (125) | - | | | | | 625,000 | 625 | (625) | | | | | - |
| 5/17/2017 | New Issuance-OmniVance Advisors LLC | | | | | | | | | 100,000 | 100 | 6,900 | | | | | 7,000 |
| 5/17/2017 | New Issuance-Chase Financing | | | | | | | 100,000 | 100 | | | 6,900 | | | | | 7,000 |
| 6/19/2017 | New Issuance-Alpha Capital Anstalt | | | | | | | | | 1,096,312 | 1,096 | 110,728 | | | | | 111,824 |
| 6/30/2017 | New Issuance-Manhattan Global Ventures | | | | | 370 | - | | | | | 3,250,000 | | (3,250,000) | | | - |
| | Rounding | | | | | | | | | | | | | | | | 1 |
| | ***Net loss*** | | | | | | | | | | | | | | | ***(606,424)*** | ***(606,424)*** |
| **BALANCE, JUNE 30, 2017** | | ***1,000*** | ***2*** | ***6,187*** | ***6*** | ***370*** | ***-*** | ***963,240*** | ***963*** | ***92,067,522*** | ***91,868*** | ***47,870,222*** | ***1,411*** | ***(3,332,250)*** | ***(321,344)*** | ***(42,408,257)*** | ***1,902,623*** |
| 7/11/2017 | Conversion-Robert Herskowitz | | | | | | | (100,000) | (100) | 1,400,000 | 1,400 | (1,300) | | | | | - |
| 7/11/2017 | Conversion-Chase Financial | | | | | | | (100,000) | (100) | 1,400,000 | 1,400 | (1,300) | | | | | - |
| 7/24/2017 | Conversion-Navesink | | | (125) | - | | | | | 625,000 | 625 | (625) | | | | | - |
| 7/24/2017 | Conversion-Paradigm Capital Holdings | | | (295) | - | | | | | 1,475,000 | 1,475 | (1,475) | | | | | - |
| 7/25/2017 | New Issuance-LICGO Partners | | | 196 | - | | | | | - | - | - | | | | | - |
| 8/1/2017 | New Issuance-Mark Herskowitz | | | | | | | | | 350,000 | 350 | 35,350 | | | | | 35,700 |
| 8/7/2017 | New Issuance-Alpha Capital Anstalt | | | | | | | | | 981,067 | 981 | 99,088 | | | | | 100,069 |
| 8/21/2017 | New Issuance-Alpha Capital Anstalt | | | | | | | | | 971,043 | 971 | 98,075 | | | | | 99,046 |
| 8/24/2017 | New Issuance-R Herskowitz 2011 Irrv. TR | | | | | | | | | 700,000 | 700 | 70,700 | | | | | 71,400 |
| 8/24/2017 | New Issuance-Chase Financing | | | | | | | 50,000 | 50 | | | 3,450 | | | | | 3,500 |
| 8/24/2017 | New Issuance-Chase Financing Inc Profit Sh. | | | | | | | 50,000 | 50 | | | 3,450 | | | | | 3,500 |
| 9/5/2017 | New Issuance-Mark Herskowitz | | | | | | | | | 350,000 | 350 | 35,350 | | | | | 35,700 |
| 9/20/2017 | New Issuance-Alpha Capital Anstalt | | | | | | | | | 952,043 | 952 | 96,156 | | | | | 97,108 |
| 9/28/2017 | New Issuance-Gerald Hickson | | | 300 | - | | | | | - | - | - | | | | | - |
| | Rounding | | | | | | | | | | | | | | | | (1) |
| | ***Net loss*** | | | | | | | | | | | | | | | ***(758,218)*** | ***(758,218)*** |
| **BALANCE, SEPTEMBER 30, 2017** | | ***1,000*** | ***2*** | ***6,263*** | ***6*** | ***370*** | ***-*** | ***863,240*** | ***863*** | ***101,271,675*** | ***101,072*** | ***48,307,142*** | ***1,411*** | ***(3,332,250)*** | ***(321,344)*** | ***(43,166,475)*** | ***1,590,427*** |

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

| | Three Months Ended September 30, 2017 | Three Months Ended September 30, 2016 | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 |
|---|---|---|---|---|
| Revenue | $ 403,273 | $ 309,088 | $ 1,181,074 | $ 725,484 |
| Cost of sales | 260,709 | 223,561 | 808,040 | 449,918 |
| **Gross profit** | 142,564 | 85,527 | 373,034 | 275,566 |
| **Expenses:** | | | | |
| General & administrative expenses | 186,505 | 171,775 | 401,996 | 427,192 |
| Consulting | 37,179 | 273,019 | 100,465 | 498,916 |
| Compensation expense | 87,779 | 8,600 | 288,831 | 26,800 |
| Professional fees | 438,815 | 581,862 | 1,000,968 | 1,948,407 |
| Total expenses | 750,278 | 1,035,256 | 1,792,260 | 2,901,315 |
| **Net operating (loss)** | (607,714) | (949,729) | (1,419,226) | (2,625,749) |
| **Other income (expense):** | | | | |
| Financing costs | (7,000) | (247,253) | (34,515) | (920,416) |
| Interest expense, net | (48,439) | (64,389) | (168,193) | (176,056) |
| Loss on write-down of obsolete inventory | - | (31,277) | - | (242,736) |
| Loss on terminated contract | (92,665) | - | (176,137) | - |
| Gain on patent licenses | - | - | - | 1,000,000 |
| Total other income (expense) | (148,104) | (342,919) | (378,845) | (339,208) |
| **Taxes:** | 713,052 | 1,346,898 | 1,818,831 | 3,997,787 |
| State | (2,400) | - | (2,400) | (2,400) |
| **Net loss** | $ (758,218) | $ (1,292,648) | $ (1,800,471) | $ (2,967,357) |
| Add: Dividends declared on preferred stock | - | - | - | - |
| **Income available to common shareholders'** | $ (758,218) | $ (1,292,648) | $ (1,800,471) | $ (2,967,357) |
| Weighted average number of common shares outstanding - basic and fully diluted | 97,801,324 | 75,110,933 | 92,209,047 | 66,451,145 |
| **Net loss per share - basic and fully diluted** | $ (0.01) | $ (0.02) | $ (0.02) | $ (0.04) |

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

## 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 us, 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 we believe 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 our consolidated financial statements for the period ended December 31, 2016 and notes thereto included in our annual filing. We follow 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 September 30, 2017 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 our financial statements.

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.

We utilize 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 September 30, 2017 and 2016:

| | FYE 2017 Fair Value Measurements | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| Assets | | | | |
| Intellectual property | $ - | $ - | $ 1,623,700 | $ 1,623,700 |
| Liabilities | - | - | - | - |
| Notes payable | - | (2,254,447) | - | (2,254,447) |
| Total | $ - | $ (2,254,447) | $ 1,623,700 | $ (630,747) |

| | FYE 2016 Fair Value Measurements | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| Assets | | | | |
| Intellectual property | $ - | $ - | $ 1,015,705 | $ 1,015,705 |
| Liabilities | - | - | - | - |
| Notes payable | - | (1,335,175) | - | (1,335,175) |
| Total | $ - | $ (1,335,175) | $ 1,015,705 | $ (319,470) |

**NOTE 4 – Prepaid expenses**

We expensed $500,000 and $0 of prepaid legal fees during the quarters ended September 30, 2017 and 2016, respectively.

**NOTE 5 – Equipment – Specialty Manufacturing Instruments**

On June 1, 2015, we entered into a wide-ranging manufacturing and product development agreement with a large venture funded Korean concern. On July 8, 2015, we 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.

During the nine months ended September 30, 2017, we acquired $64,890 in fixed assets pursuant to the manufacturing and product development agreement dated June 1, 2015. We expensed an additional $380,000 for the development of our GenChoice! product which will make use of the Specialty Manufacturing equipment located in Korea.

In late October 2017, we have added to our Specialty Manufacturing Equipment by contracting with our Korean manufacturing partner for the manufacture of our GenPrecis! meter and test strips. The total cost of this acquisition of manufacturing equipment, including Note interest and OID was approximately $400,000.00. Financing for this acquisition was done through the lead investor Alpha Capital Anstalt.

**NOTE 6 – Patents**

During the nine months ended September 30, 2017, we capitalized $45,745 of attorney fees related to the continued development and perfection of our patents. We are in the process of identifying three patents to add to our portfolio of acquired patents to backbone our proprietary technologies and provide foundation for the manufacture and sale of our GenPrecis! and GenChoice! products. Acquisitions of these patents, to be financed through subsequent Notes with Alpha Capital Anstalt, is expected to be completed in December.

**NOTE 7 – Acquisition of Certain Properties**

In March 2014, we 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. We have not yet recorded this acquisition on our books because the acquisition terms have not yet been fully determined and the final acquisition price to be determined by the court. We did register this FDA cleared product with the US FDA in 2014, 2015, 2016, and 2017. In late October 2017 we registered our product with the FDA for 2018. In September 2016 we became fully compliant with the newly implemented FDA UDI product identification initiative.

**NOTE 8 – Notes payable**

We have recorded interest and financing expense in connection with our notes payable totaling $202,708 and $1,096,472 for the nine months ended September 30, 2017 and 2016, respectively. All of our interest and financing expenses are classified as non-cash payments because they were converted from debt to equity by the noteholders.

**NOTE 9 – Stockholder's equity**

*2017 Issuances*

<u>Preferred</u>
During the quarter ended September 30, 2017, we issued 496 shares of preferred series "C" shares for financing costs.

During the quarter ended September 30, 2017, two holders of preferred series "C" shares converted 420 shares into 2,100,000 shares of common stock.

During the quarter ended September 30, 2017, we issued 100,000 shares of preferred series "E" shares for financing costs totaling $7,000.

During the quarter ended September 30, 2017, 200,000 shares of preferred series "E" were converted into 2,800,000 shares of common stock.

<u>Common</u>

During the quarter ended September 30, 2017, we issued 4,304,153 shares of $0.001 par value common stock for conversion of debt and accrued interest totaling $940,110.

**NOTE 10 – Stock options**

<u>2017 Stock Option Plan</u>

During the six months ended June 30, 2017, we adopted the "2017" Executive and Key Man/Woman Stock Option Plan and granted incentive and nonqualified stock options with rights to purchase 450,000 shares of $0.001 par value common stock at the strike price of $.08 per share. As of June 30, 2017, all options allowed under the plan have been granted and are exercisable at the election of the holder.

The following is a summary of activity of outstanding stock options under all Stock Option Plans:

| | **Number of Shares** | **Weighted Average Exercise Price** | |
|---|---|---|---|
| Balance, January 1, 2016 | 9,621,286 | $ | 0.10 |
| Options granted | - | | - |
| Options cancelled | - | | - |
| Options exercised | - | | - |
| Balance, December 31, 2016 | 9,621,286 | $ | 0.10 |
| | | | |
| Balance, January 1, 2017 | 9,621,286 | $ | 0.10 |
| Options granted | 450,000 | | .08 |
| Options cancelled | - | | - |
| Options exercised | - | | - |
| Balance, September 30, 2017 | 10,071,286 | $ | 0.10 |

**NOTE 11 – Commitments and Contingencies**

Contingencies and Litigation

We transact commerce in several medical products market channels. We 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. Our GenStrip 50 and GenUltimate! products required initial regulatory approval by the US FDA as well as on-going US FDA approvals during the product life cycle and are subject to new FDA regulation and post market overview. In 2016, we had to meet new FDA Guidelines for product identification, tracking and standardization. Our new GenChoice! and the upcoming GenPrecis! products will follow the same pathway with the U.S. FDA. The FDA calls its new product identification program, the UDI initiative, and the new packaging required, and met by us, approximates a similar standard implemented in the European Union in 2013 and revised in 2015. We are now filing for approvals in the EU through a large well known Spanish pharmaceutical company.

Further, our products required medical patient trials and several compete 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. We have 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, we have 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. We have defended cases of this nature. For instance, we have been sued in several jurisdictions over a single business transaction. Often these cases involve substantial over-prosecution where we and our have been held accountable by Plaintiffs for a myriad of things including words written or posted in public forums by anonymous persons.

We may also become involved in disputes that arise over the business or business practices of our suppliers, payers and customers, people or entities that we may not be familiar with. We maintain substantial insurance coverage against suits that may arise over issues of damaged, recalled or counterfeit product and other product liability issues. We also maintain insurance covering the actions and non-actions of our officers and directors. We also have insurance for our business practices.

We have 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, we accrue contingent legal fees and product liability fees. As of September 30, 2017, our contingent legal fees accrual was $240,000 and our general contingencies accrual was $245,069. Contingencies total $485,069 and are reflected herein.

From time to time, we may also be subject to demands from former employees, 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.

Leases

We currently maintain an executive office at 2660 Townsgate Road, Suite 300, Westlake Village, CA 91361. The space consists of approximately 2,300 square feet. The monthly rental for the space is $2,170 per month on a month-to-month basis. We also maintain space in a public warehouse in Miami, FL, and have in the recent past, paid for space indirectly in York, PA for the completion of necessary clinical trials. We have also engaged an exclusive agent to manage our affairs in Korea, and pay indirectly for space in Seoul, Korea.

Rent expense totaled $19,530 and $19,530 for the nine months ended September 30, 2017and 2016, respectively.

**NOTE 12 – Subsequent events**

We have chosen to discuss all subsequent events in our Quarterly Reports for 3Q 2017, specifically in the Managements' Discussion and Analysis and Supplemental Disclosures sections.

In accordance with ASC 855, management evaluated all of our activities 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.