DECISION DIAGNOSTICS CORP.

UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Unaudited financial statements for Decision Diagnostics Corp. for the years ended December 31, 2013 and 2012 have been prepared by management. Accordingly, the financial statements have not been audited, reviewed or compiled by independent accountants. 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 Statements of Operations
(UNAUDITED)

	Years ended December 31, 2013	Years ended December 31, 2012
Revenue	$ 1,444,752	$ -
Cost of sales	374,768	-
Gross profit	1,069,983	-
Expenses:		
General & administrative expenses	305,081	219,488
Consulting	1,770,340	503,727
Payroll expense	55,557	714,250
Professional fees	2,234,160	484,592
Total expenses	4,365,138	1,922,057
Net operating (loss)	(3,295,155)	(1,922,057)
Other income (expense):		
Financing costs	(1,702,500)	(5,036)
Interest expense, net	(850,750)	(535,338)
Settlement expense	(12,500)	-
Loss on derivative liability	(971,352)	-
Gain on settlements	173,162	160,809
Total other income (expense)	(3,363,940)	(379,565)
Extraordinary loss		
Net loss due to discontinued operations	(1,291,421)	(3,065,764)
Net loss	$ (7,950,516)	$ (5,367,385)
Add: Dividends declared on preferred stock	-	-
Income available to common shareholders'	$ (7,950,516)	$ (5,367,385)
Weighted average number of common shares outstanding - basic and fully diluted	22,278,487	11,115,867
Net income (loss) per share - basic and fully diluted	$ (0.36)	$ (0.48)

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

Decision Diagnostics Corp.
Statement of Shareholder's Equity

(UNAUDITED)		Preferred "B"		Preferred "C"		Preferred "E"		Common Stock			Authorized	Subscription	Finders'		
Date	Shareholder	# Shares	Amt	# Shares	Amt	# Shs	Amt	# Shs	Amt	APIC	Unissued	Receivable	Fees	RE	Total
	Net loss													(5,367,385)	
BALANCE, December 31, 2012		*1,000*	*1*	*1,250*	*1*	*1,156,800*	*1,157*	*13,909,751*	*13,910*	*24,049,927*	*2,151*	-	-	*(25,501,453)*	*(1,434,306)*
1/7/2013	*Conversion*					*(15,000)*	*(15)*	*210,000*	*210*	*(195)*					-
01/07/13	Shares previously authorized - Mayer & Assoc							50,000	50	-	**(50)**				-
01/07/13	Shares previously authorized for conversion of Series "E"							236,600	237	-	**(237)**				-
01/11/13	Shares authorized and unissued for cash - Excell								-	2,970	30	-			3,000
01/28/13	Shares authorized and unissued for cash - Excell								-	2,970	30				3,000
01/31/13	*Conversion*					*(23,200)*	*(23)*	*324,800*	*325*	*(302)*					-
02/04/13	ESOP shares issued for services - D. Meyers							1,325,000	1,325	91,186	**239**	(77,750)			15,000
02/04/13	Shares authorized and unissued for cash - Excell								-	2,970	30				3,000
02/11/13	Options exercised for cash									13,000					13,000
02/12/13	Options exercised for cash									2,000					2,000
02/15/13	ESOP shares previously authorized - St. Andrew s/Mayer							1,000,000	1,000	-	**(1,000)**				-
02/15/13	ESOP shares previously authorized - A Binder							100,000	100	-	**(100)**				-
02/15/13	ESOP shares previously authorized - D Richter							100,000	100	-	**(100)**				-
02/15/13	ESOP shares previously authorized - K Binder							50,000	50	-	**(50)**				-
02/15/13	ESOP shares previously authorized - M Johnson							25,000	25	-	**(25)**				-
02/15/13	ESOP shares issued for services - Envisionte							700,000	700	69,300		-			70,000
02/15/13	ESOP shares issued for services - Bridgeview							700,000	700	69,300		-			70,000
02/15/13	ESOP shares issued for services - AAC Capital							600,000	600	59,400		-			60,000
02/15/13	ESOP shares issued for services - Cadance							275,000	275	27,225		-			27,500
02/22/13	Shares previously authorized for settelment - J. Whitelaw							125,000	125	-	**(125)**				-
02/22/13	Shares previously authorized for settelment - B. England							75,000	75	-	**(75)**				-
03/08/13	ESOP shares previously authorized - Cadence							150,000	150	1,500	**(150)**				1,500
03/20/13	ESOP shares issued for service - Chase							500,000	500	3,150					3,650
BALANCE, March 31, 2013		***1,000***	***1***	***1,250***	***1***	***1,118,600***	***1,119***	***20,456,151***	***20,457***	***24,394,401***	***568***	***(77,750)***		***(25,501,453)***	***(1,162,656)***
04/01/13	*Conversion - Alpha Credit Resources*	*0*	*-*			*(62,000)*	*(62)*	*868,000*	*868*	*(806)*					-
04/01/13	Rescinded shares - R. Herskow itz (correction of error)							(500,000)	(500)	500					-
04/01/13	ESOP shares - R. Herskow itz (correction of error)							350,000	350	(350)					-
05/01/13	Shares authorized and unissued for cash - Excell							-	-	24,975	25				25,000
05/07/13	Shares authorized and unissued for cash - Excell							-	-	48,510	490				49,000
05/14/13	Shares authorized and unissued for cash - Excell							-	-	2,128	22				2,150
06/26/13	Shares authorized and unissued for cash - Excell							-	-	9,900	100				10,000
06/26/13	Shares authorized and unissued for cash - Excell							-	-	9,900	100				10,000
06/26/13	Shares authorized and unissued for cash - Excell							-	-	4,950	50				5,000
06/29/13	Options issued for 2013 Option Plan - K. Berman (1.5M)							-	-	372,327					372,327
06/29/13	Options issued for 2013 Option Plan - R. Jagunich (750K)							-	-	186,163					186,163
06/29/13	Options issued for 2013 Option Plan - W. Lyons (500K)							-	-	124,109					124,109
BALANCE, June 30, 2013		***1,000***	***1***	***1,250***	***1***	***1,056,600***	***1,057***	***21,174,151***	***21,175***	***25,176,707***	***1,355***	***(77,750)***		***(25,501,453)***	***(378,907)***
08/07/13	ESOP Shares issued for cash - St. Andrew s							500,000	500	4,500					5,000
08/08/13	Options issued for 2013 Option Plan - K. Berman (1.250M)							-	-	182,248					182,248
08/08/13	Options issued for 2013 Option Plan - R. Jagunich (625K)							-	-	91,124					91,124
08/08/13	Options issued for 2013 Option Plan - W. Lyons (350K)							-	-	51,029					51,029
08/09/13	ESOP Subscribed shares - J. Broeders							235,300	235	39,765	-	(40,000)			-
08/15/13	ESOP shares issued for services - R. Herskow itz							25,000	25	6,225					6,250
08/25/13	ESOP Shares - B. Mayer	-	-	-	-	-	-	950,000	950	160,550	-	(64,000)			97,500
08/25/13	Pref. C Shares issued for prepaid legal - Lathrop & Gage, LLP			1,500	2			-	-	1,499,999					1,500,000
08/27/13	Rescinded shares - Curring Capital							(200,000)	(200)	200					-
08/27/13	Rescinded shares - ACC Group ESOP							(600,000)	(600)	600					-
09/10/13	ESOP Shares issued for cash - T. Hansen							250,000	250	27,250					27,500
09/11/13	ESOP Shares issued for cash - Envisionte, LLC							250,000	250	27,250					27,500
09/20/13	Shares issued for cash - SLCC Partners, LLC							1,000,000	1,000	124,000					125,000
09/20/13	ESOP Subscribed shares - Envisionte, LLC							500,000	500	69,500		-			70,000
09/30/13	Subscribed shares - Unit Offering							2,798,728	2,799	1,536,501		-			1,539,300
09/30/13	Conversion - Alpha Credit Resources					(77,000)	(77)	1,078,000	1,078	(1,001)					-
BALANCE, September 30, 2013		***1,000***	***1***	***2,750***	***3***	***979,600***	***980***	***27,961,179***	***27,962***	***28,996,447***	***1,355***	***(181,750)***		***(25,501,453)***	***3,343,544***
								-	-	-	-	-		-	-
10/21/13	Subscribed shares - Unit Offering							1,200,548	1,200	680,455	55	-		-	681,710
10/28/13	Conversion - M. Belcher			(70)	(0)			350,000	350	(350)	-	-		-	(0)
10/30/13	Shares for service - B. Mayer							300,000	300	110,700	-	-		-	111,000
10/30/13	ESOP Shares for service - B. Mayer							100,000	100	36,900	-	-		-	37,000
10/30/13	Shares issued for finders' fees							166,365	166	114,626	-	-	(114,792)	-	-
11/11/13	Conversion - Alpha Credit Resources					(70,000)	(70)	980,000	980	(910)	-	-		-	-
11/11/13	ESOP Shares for service - B. Mayer							500,000	500	214,500	-	-		-	215,000
11/11/13	Shares issued for finders' fees							125,000	125	91,125	-	-	(91,250)	-	-
12/04/13	Conversion - Alpha Credit Resources					(87,200)	(87)	1,220,800	1,221	(1,134)	-	-		-	-
12/06/13	Shares issued for debt - Alpha Credit Resources	1,000	1					-	-	3,031,149	-	-		-	3,031,150
12/23/13	ESOP Shares issued for financing costs							175,000	175	108,325	-	-		-	108,500
12/23/13	ESOP Shares for service - B. Mayer							600,000	600	233,400	-	-		-	234,000
12/23/13	Options exercised for cash									1,750					1,750
12/30/13	Shares issued for financing costs							2,709,678	2,710	1,677,290	-	-		-	1,680,000
12/30/13	Conversion - Alpha Credit Resources					(53,480)	(52)	748,720	748	(696)	-	-		-	-
12/31/13	Shares issued for financing costs							100,000	100	68,900	-	-		-	69,000
12/31/13	Shares issued for finders' fees							167,105	167	115,135	-	-	(115,302)	-	0
12/31/13	Net (loss)								-	-	-	-		(7,950,516)	(7,950,516)
BALANCE, December 31, 2013		***2,000***	***2***	***2,680***	***3***	***768,920***	***770***	***37,404,395***	***37,404***	***35,477,613***	***1,410***	***(181,750)***	***(321,344)***	***(33,451,969)***	***1,562,139***

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

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

	Years ended December 31, 2013	2012
Cash flows from operating activities		
Net loss	$ (7,950,516)	$ (5,367,385)
Adjustments to reconcile net loss to		
net cash (used) by operating activities:		
Loss on derivative liabilities	971,352	-
Gain on settlements	(173,162)	(160,809)
Shares and options issued for services	6,608,620	1,136,580
Shares issued for legal fees	1,500,000	-
Shares issued for interest expense	850,750	-
Shares issued for financing fees	1,702,500	80,518
Bad debt expense	-	3,131,052
Changes in operating assets and liabilities		
Accounts receivable	(109,504)	-
Inventory	(350,860)	-
Prepaid and other assets	196,419	189,879
Accounts payable and accrued liabilities	(84,920)	27,401
Accrued interest	21,223	438,946
Contingent liabilities	75,000	147,000
Net liabilities from discontinued operations	(215,945)	215,945
Net cash provided (used) by operating activities	3,040,957	(160,873)
Cash flows from investing activities		
Intellectual property	(79,625)	(50,875)
Net cash provided (used) by investing activities	(79,625)	(50,875)
Cash flows from financing activities		
Payments on notes payable	-	(2,500)
Proceeds from notes payable	1,495,010	-
Subscriptions payable	46,500	-
Shares issued and options exercised for cash	2,604,810	114,000
Net cash provided (used) by financing activities	4,146,320	111,500
Net increase in cash	7,107,652	(100,248)
Cash - beginning	85,378	14,869
Cash - ending	$ 7,193,030	$ (85,379)
	4,574,999	(0)
Supplemental disclosures:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
Non-cash transactions:		
Shares and options issued for services	$ 6,608,620	$ 1,136,580
Shares issued for financing activities	$ 1,702,500	$ 80,518
Shares issued for debt settlement	$ -	$ 45,500

DECISION DIAGNOSTICS CORP.
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

Organization

We were organized July 6, 2000 under the laws of the State of Nevada As a part our efforts to transition the company toward a full service and vertically integrated provider of at-home diagnostics, on November 1, 2011, as a condition of the merger of Diagnostics Newco, LLC, from its sole owner, the company completed a name change action through the office of Nevada Secretary of State (NVSOS). The surviving entity is known as Decision Diagnostics Corp. This action through the office of the NVSOS was effective as of November 25, 2011.

As part our efforts to secure a listing on a new stock exchange, we completed another action with the NVSOS, where a previously approved board resolution to reverse split our shares was finalized. Our stock was split whereby one new share of the company's common stock was exchanged for every fourteen previously issued and outstanding shares of our $.001 par value common stock. This action was effective as of November 25, 2011. All share references included herein have been retroactively restated to reflect the 1:14 reverse split.

Principles of Consolidation

The financial statements include those of: Decision Diagnostics Corp. ("Decision Diagnostics"); and its wholly owned subsidiaries, PDA Services, Pharmtech, Inc. Pharmatech Solutions, Inc. and Decision IT. All significant inter-company transactions and balances have been eliminated. Decision Diagnostics and its subsidiaries are collectively referred to herein as the "Company". Investments in unconsolidated subsidiaries representing ownership of at least 20% but less than 50% are accounted for under the equity method. Non-marketable investments in which the Company has less than 20% ownership and in which it does not have the ability to exercise significant influence over the investee are initially recorded at cost and periodically reviewed for impairment. As of December 31, 2013 and 2012, we did not have non-marketable investments.

Cash and cash equivalents

Cash and cash equivalents include all cash balances in non-interest bearing accounts and money-market accounts. We place our temporary cash investments with quality financial institutions. At times, such investments may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limit. We do not believe it is exposed to any significant credit risk on cash and cash equivalents. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. There are no cash equivalents as of December 31, 2013 and 2012.

Credit Risks

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2013 we had a balance of $2,500,000 in one account, which exceeds the FDIC insured limit.

Accounts receivable and Allowance for Doubtful Accounts Receivable

Trade accounts receivables are non-interest bearing and are stated at gross invoice amounts less an allowance for doubtful accounts receivable.

Credit is extended to customers based on an evaluation of their financial condition and other factors. The Company generally does not require collateral or other security to support accounts receivable. The Company performs ongoing credit evaluations of its customers and maintains an allowance for doubtful accounts.

The Company estimates its allowance for doubtful accounts by evaluating specific accounts where information indicates the customers may have an inability to meet financial obligations, such as bankruptcy proceedings and receivable amounts outstanding for an extended period beyond contractual terms. In these cases, the Company uses assumptions and judgment, based on the best available facts and circumstances, to either record a specific allowance against these customer balances or to write off the balances. In addition, the Company calculates an overall reserve based on a percentage of the overall gross accounts receivable. This percentage is based on management's assessment of the aging of accounts receivable, historical write-offs of receivables and the associated risk profile of the Company's customer base.

Revenue recognition

We recognize revenue in accordance with ASC subtopic 605-10 (formerly SEC Staff Accounting Bulletin No. 104 and 13A, "Revenue Recognition") net of expected cancellations and allowances. As of December 31, 2013 and 2012, we evaluated evidence of cancellation in order to make a reliable estimate and determined there were no material cancellations during the years and therefore no allowances has been made.

We recognize revenue from our sales of pharmaceutical supplies upon delivery to its customer where the fee is fixed or determinable, and collectability is probable. Cash payments received in advance are recorded as deferred revenue. We are not generally obligated to accept returns, except for defective products.

Revenue from proprietary software sales that does not require further commitment from the company is recognized upon shipment. Consulting revenue is recognized when the services are rendered. License revenue is recognized ratably over the term of the license.

Advertising costs

We expense all costs of advertising as incurred. There were no advertising costs included in general and administrative expenses as of December 31, 2013 and 2012, respectively.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. As of December 31, 2013 and 2012, we have accrued contingent legal fees and product liability fees totaling $245,069 and $170,069, respectively.

Fair value of financial instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2013 and 2012. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, accounts receivable, accounts payable, accrued liabilities and notes payable. Fair values were assumed to approximate carrying values because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Impairment of long-lived assets

The Company reviews its long-lived assets and intangibles periodically to determine potential impairment by comparing the carrying value of the long-lived assets with the estimated future cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future cash flows be less than the carrying value, the Company would recognize an impairment loss. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets and intangibles. The Company recognized no impairment losses during the years ended December 31, 2013 and 2012.

Earnings per share

Earnings per share are provided in accordance with ASC Topic 260 “Earnings per Share” (as amended). The Company presents basic earnings per share (“EPS”) and diluted EPS on the face of consolidated statements of operations. Basic EPS is computed by dividing reported earnings by the weighted average shares outstanding. Diluted EPS is computed by adding to the weighted average shares the dilutive effect if stock options and warrants were exercised into common stock. Basic loss per share is computed by dividing losses available to common stockholders by the weighted average number of common shares outstanding during the period. Basic earnings per common share are based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is based on the weighted average number of common shares, plus all stock options and warrants convertible into common stock for an additional 8,614,286 common shares; and all preferred stock converted into common stock for an additional 41,245,200 common shares.

Income Taxes

The Company follows ASC subtopic 740-10 (formerly Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes") for recording the provision for income taxes. ASC 740-10 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

Concentrations

In 2013, three customers accounted for approximately 89% of net sales compared to three in the previous year. Historically the Company's operations require maintaining strategic relationships with customers whereby delivering product and services directly to the patient base that underlies strategic relationships, accepting assignment of insurance benefit through our Colonia Natural Pharmacy strategic partnership for the billing and future servicing of these patients. We also maintain relationships with the entities where the patients reside. As of December 31, 2013 and 2012, we obtained the majority of our pharmaceutical products from five major suppliers. There can be no assurance that our major customers will continue to purchase products. The loss of our largest customers or a decrease in product sales would have a material adverse effect on our business and financial condition.

Reclassifications

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

New Accounting Standards Adopted During the Year Ended December 31, 2013

Management has analyzed all pronouncements issued during the year ended December 31, 2013 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.

Previous year financial information has been presented to conform to current year financial statement presentation.

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 – Discontinued operations

On July 1, 2013, we determined to cease operations as a distributor of brand name diabetic test strips in order to focus solely on the production and distribution of the Genstrip product line. Accordingly, we recorded net liabilities from discontinued operations of $0 and $215,945 and net losses due to discontinued operations of $1,291,421 and $3,065,764 for fiscal 2013 and 2012, respectively.

The following table presents summarized operating results for these discontinued operations for the fiscal years ended 2013 and 2012.

		2013		2012
Revenue	$	761,508	$	6,197,691
Cost of goods sold		(756,213)		(4,674,546)
General & administrative		(1,296,716)		(4,588,909)
Net loss due to discontinued operations	$	(1,291,421)	$	(3,065,764)

Components of liabilities from discontinued operations consist of the following as of December 31, 2013 and 2012:

		2013		2012
Accounts payable and accrued liabilities		-		215,945
Net liabilities from discontinued operations	$	-	$	215,945

At December 31, 2013 and 2012, net liabilities from discontinued operations were classified as current based on the disposition date occurring within one year from the respective balance sheet date.

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 December 31, 2013:

	FYE 2013 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Intellectual property	$ -	$ -	$ 200,035	$ 200,035
Liabilities	-	-	-	-
Notes payable	-	(1,532,688)	-	(1,532,688)
Total	$ -	$ (1,532,688)	$ 200,035	$ (1,332,653)

	FYE 2012 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Intellectual property	$ -	$ -	$ 120,410	$ 120,140
Liabilities	-	-	-	-
Line of credit	-	(2,428,444)	-	(2,428,444)
Total	$ -	$ (2,428,444)	$ 120,410	$ (2,308,304)

NOTE 4 – Line of credit

During the year ended December 31, 2013, we issued 1,000 shares of our Preferred Series B shares to Alpha Credit Resources to satisfy our debt plus accrued interest in full in the amount of $3,031,151. We recorded interest expense of $850,750 and $535,338 during the years ended December 31, 2013 and 2012, respectively.

NOTE 5 – Notes payable

Notes payable consisted of the following as of December 31 2013 and 2012:

		December 31,	
		2013	2012
(a)	Convertible promissory notes, secured, bearing interest at a 14% per annum, due March 15, 2015	$ 1,495,010	$ -
(b)	Promissory note, bearing interest at a 9.25% per annum, overdue	37,678	37,678

Total notes payable	$ 1,532,688	$ 37,678

(a) During the fourth quarter, 2013, we were loaned $1,495,010 of convertible debt from four individual Holders. The promissory notes bear interest at 14% per annum, and are due March 15, 2015. The notes had a combined original discount totaling $195,000, which was recorded to interest expense.
   a. The first three Holders may at any time convert all or part of the entire outstanding principal and accrued interest into duly authorized, fully paid and non-assessable and unencumbered, shares of common stock at the conversion price of $0.55 per share ("beneficial conversion feature"), subject to adjustment in the event of any stock splits, stock dividends, or other recapitalization. If at any time the Company sells any shares or issues any securities with terms deemed to be more favorable than the terms of this note, including the sale of options or other convertible securities at a price per share of $0.55 or less, then the Holders shall have the right, at its option, to either (i) exchange all or any part of the note owned by the Holders or the securities issued to the Holders in connection herewith for any of the securities or any rights connected or attached therein offered in the new issuance on the same terms and condition offered in the new issuance or (ii) reduce the conversion price of this note or the other securities issued to the Holder to the issuance price. The Holders shall have the right to convert the outstanding principal, accrued interest and facility fee, or any portion thereof, into duly authorized, fully paid and non-assessable shares of common stock at $0.01 per share.
   b. The fourth Holder may at any time after January 16, 2014, convert all or part of the entire outstanding principal and accrued interest into shares of common stock at the conversion price of $0.75 per share, subject to adjustment in the event of (i) subdividing outstanding shares of common stock into a larger number of shares, (ii) combine (including by way of reverse stock split) outstanding shares of common stock into a smaller number of shares, or (iii) issue by reclassification of shares of common stock any shares of capital stock of the Company, then the conversion price shall be multiplied by a fraction of which the numerator shall be the number of shares of common stock (excluding treasury shares, if any) outstanding before such event and of which the denominator shall be the number of shares of common stock (excluding treasury shares, if any) outstanding after such event, From the first anniversary date of January 16, 2014 until the maturity date, the lenders shall have the one-time right, in its sole discretion, to convert all or a portion of the face amount at a ten percent (10%) discount to the price equal to the dollar volume-weighted average price at which common stock is traded on its principal securities exchange over a period of ten (10) days prior to the date of such conversion. In the event of default, the entire amount of principal and interest will be immediately due and an interest rate of 20% per annum will be applied to any unpaid portions of the note and will continue until such time as the note and any accrued interest have been paid in full.

(b) On June 20, 2007, we entered into a promissory note with Invacare for the principal amount of $160,385, bearing interest at a rate of 9% per annum and maturing on June 10, 2010. On March 4, 2011, we re-negotiated this note whereby the principal balance and accrued interest were reduced by $35,335 and $6,541, respectively. In addition, the maturity was extended an additional twelve months to March 2012. As a result of the amendments to the note, we recognized a gain on the settlement of debt in the amount of $41,849. Pursuant to the amended terms of the note, we are required to make monthly principal and interest payments of $1,900. As of December 31, 2012, the principal balance totaled $37,678 and accrued interest was $5,258.

The beneficial conversion feature resulted in a derivative liability and loss on derivative liability of $971,352, respectively, recorded on our financial statements as of December 31, 2013.

We have recorded interest in connection with our notes payable totaling $850,750 and $20,796 for the years ended December 31, 2013 and 2012, respectively.

NOTE 6 – Income taxes

At December 31, 2013, the Company had approximately $24,220,000 of federal and state net operating losses. For the years ended December 31, 2013 and 2012, the Company reported net losses of $7,950,516 and $5,367,385, respectively. No provision for income tax expense has been record. In addition no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. The net operating loss carry forwards, if not utilized will begin to expire in 2017-2023.

The components of the Company's deferred tax asset are as follows:

	As of December 31, 2013	As of December 31, 2012
Deferred tax assets:		
Net loss	$ 7,950,516	$ 5,367,385
Less: Stock, options, and warrants issued	(6,608,620)	(1,136,580)
Taxable loss	1,341,896	4,230,805
Net operating loss carry forwards	24,220,198	19,989,393
Total deferred tax asset	22,878,302	24,220,198
Income tax rate	35%	35%
	8,007,406	8,477,069
Less: valuation allowance	(8,007,406)	(8,477,069)
Net deferred tax asset	$ -0-	$ -0-

For financial reporting purposes, the Company has incurred historical losses. Based on the available objective evidence, including the Company's history of its loss, management believes it is more likely than not that, the net deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against its net deferred tax assets at December 31, 2013 and 2012.

A reconciliation between the amounts of income tax benefit determined by applying the applicable U.S. and State statutory income tax rate to pre-tax loss is as follows:

	Years Ended December 31, 2013	Years Ended December 31, 2012
Federal and state statutory rate	35%	35%
Change in valuation allowance on deferred tax assets	(35%)	(35%)
	-0-	-0-

NOTE 7 – Stockholder's equity

We are authorized to issue up to 494,995,000 shares of $0.001 par value common stock and 5,000,000 shares of various classes of $0.001 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. 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 50. 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 $10,000. 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, 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 $.50. 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". 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.

2013 Issuances

Preferred

During the year ended December 31, 2013, the Company issued 1,000 shares of preferred series “B” to satisfy all debt and accrued interest payable to Alpha Credit Resources totaling $3,031,151.

During the year ended December 31, 2013, the Company issued 1,500 preferred series “C” for legal fees of $1,500,000.

During the year ended December 31, 2013, the holder of the Company’s preferred series “C” exchanged his shares into 650,000 shares of $0.001 par value common stock.

During the year ended December 31, 2013, Alpha Credit Resources elected to convert 387,880 shares of their preferred series “E” into 5,430,320 shares of $0.001 par value common stock.

Common

During the year ended December 31, 2013, the Company issued 6,075,000 shares of $0.001 par value common stock for the exercise of options and consulting services valued at $2,033,620.

During the year ended December 31, 2013, the Company issued 3,999,276 shares of $0.001 par value common stock for cash totaling $2,221,010. The shares were sold pursuant to a unit offering memorandum to sell shares of its $0.001 par value common stock to private accredited investors. The unit offering offers two (2) shares of common stock and one (1) warrant convertible on a 1:1 basis, warrants into shares of $0.001 par value commons stock.

During the year ended December 31, 2013, the Company issued 458,470 shares of $0.001 par value common stock for finders’ fees totaling $321,344 related to equity offerings.

During the year ended December 31, 2013, the Company issued 2,984,678 shares of $0.001 par value common stock for loan financing fees totaling $1,702,500.
During the year ended December 31, 2013, the Company issued 4,912,320 shares of $0.001 par value common stock for previously authorized and converted preferred series “E” shares.

Subscriptions Receivable

During the year ended December 31, 2013, investors subscribed to 950,000 shares of $0.001 par value common stock for subscriptions receivable totaling $161,500.

2012 Issuances

Preferred

During the year ended December 31, 2012, the Company authorized the release of 124,700 shares of our preferred Series “E’ stock to Alpha Credit Resources for accrued interest totaling $80,482.

During the year ended December 31, 2012, Alpha Credit Resources elected to convert 63,200 shares of their preferred series “E” into 648,200 shares of common stock.

<u>Common</u>

During the year ended December 31, 2012, the Company issued 253,379 shares of our common stock to three individuals pursuant to debt settlement agreements. As of the balance sheet date, 53,379 shares have been issued and the remaining 200,000 shares were subsequently issued on February 15, 2013. The fair value of the shares issued totaled $45,500.

During the year ended December 31, 2012, the Company issued 2,900,000 shares of our common stock to entities as consulting fees earned during the year ended December 31, 2012. The fair value of the shares totaled $636,940, of which $385,765 and has been recorded as a consulting expense and $251,175 as a prepaid expense. As of December 31, 2012, 1,575,000 were unissued

During the year ended December 31, 2012 the Company issued 238 shares of common stock to Alpha Credit Resources as financing fees in connection with our line of credit. The fair value of the shares was $36, and was recorded as financing costs.

During the year ended December 31, 2012, the Company authorized the issuance of 1,140,000 shares of common stock in exchange for cash totaling $114,000. As of December 31, 2012, 1,000,000 shares had been issued.

NOTE 8 – Options

2004 Stock Option Plan

Effective April 21, 2004, the Company adopted the “2004” Stock Option Plan, as amended, with a maximum number of 450,893 shares that may be issued. As of December 31, 2013, 398,104 options have been granted and exercised or expired under this plan. There are 52,789 options which remain available for issuance.

2005 Merger Consolidated Stock Option Plan

On February 5, 2005, the Company adopted the “2005” Merger Consolidated Stock Option Plan. The maximum number of shares that may be issued pursuant to the plan is 80,357 shares. As of December 31, 2013,77,307shares have been granted and exercised or expired under this plan. There are 3,050 options which remain available for issuance.

2006 Stock Option Plan

On December 8, 2006 the Company adopted the “2006 Employee Stock Option Plan, as amended and granted incentive and nonqualified stock options with rights to purchase 16,821,429 shares of $0.001 par value common stock. As of December 31, 2013, 3,691,582 options were granted and exercised or expired and 3,600,000 exercisable under this plan. There are 9,529,847 options which remain available for issuance.

2012 Stock Option Plan

On October 22, 2012, the Company adopted the “2012” Executive and Key Man/Woman Stock Option Plan and granted incentive and nonqualified stock options with rights to purchase 5,000,000 shares of $0.001 par value common stock. As of December 31, 2013, 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, 2012	14,286	$ 0.80
Options granted	11,125,000	0.10
Options cancelled		
Options exercised	(2,525,000)	0.12
Balance, December 31, 2012	8,614,286	$ 0.10
Balance, January 1, 2013	8,614,286	$ 0.80
Options granted	1,538,172	0.10
Options cancelled		
Options exercised	(531,172)	0.12
Balance, December 31, 2013	9,621,286	$ 0.10

NOTE 9 – Warrants

The following is a summary of activity of outstanding warrants:

	Number of Shares	Weighted Average Exercise Price
Balance, January 1, 2012	17,857	$ 0.49
Warrants granted	-	-
Warrants cancelled	-	-
Warrants exercised	-	-
Balance, December 31, 2012	17,857	$ 0.49
Balance, January 1, 2013	17,857	$ 0.49
Warrants granted	1,999,638	0.65
Warrants cancelled	-	-
Warrants exercised	-	-
Balance, December 31, 2013	2,017,495	$ 0.65

NOTE 10 – Commitments and Contingencies

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 $4,140 per month on a month-to-month basis.

Rent expense totaled $27,140 and $49,680 for the years ended December 31, 2013 and 2012, respectively.

Contingencies

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 new Shasta Genstrip product required initial regulatory approval by the USFDA as well as on-going USFDA approvals during the product life cycle. Further, Shasta Genstrip required medical patient trials and will 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. The medical industry is also intertwined. From time to time, we may 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 may also become involved in disputes that arise over the business or business practices of our suppliers, payers and customers. It is not uncommon in our industry to find that a litigant has filed claims in multiple jurisdictions involving the same transaction or a single transaction. 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 December 31, 2013, our 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 potentially material to us.

NOTE 11 – Subsequent events

On February 12, 2014, the Company's board of directors approved the conversion of 41,710 Preferred E shares held by Alpha Credit Resources into 611,940 of unrestricted $0.001 par value common stock.

On February 12, 2014, the Company's board of directors approved the conversion of 41,710 Preferred E shares held by Benjamin Mayer into 798,000 shares of restricted $0.001 par value common stock.

On February 12, 2014, the Company's board of directors approved the conversion of 70 Preferred C shares into 350,000 unrestricted $0.001 par value common stock.

On February 12, 2014, the Company's board of directors approved the issuance of 250,000 shares of $0.001 par value common stock for a subscription agreement of $50,000.

On March 11, 2014, the Company entered into an advisory services agreement for consideration to be paid with 250,000 restricted shares of the Company's $0.001 par value common stock.

On March 24, 2014, the Company entered into a consulting, business advisory, and shareholder information and public/investor relations services agreement for consideration of $40,000.

On March 18, 2014, the Company entered into a Binding GenStrip Technology Buyout agreement wherein the company agreed to purchase all of the intellectual property for total consideration of $2,000,000. This agreement is now a part of a litigation.

On March 20, 2014, the Company's board of directors approved the issuance of 250,000 shares of $0.001 par value common stock at $0.40 per share to an investor pursuant to a subscription agreement.

On March 20, 2014, the Company's board of directors approved the issuance of 150,000 shares of $0.001 par value common stock at $0.40 per share to two entities pursuant to service agreements.

On March 20, 2014 the Company's board of directors approved the conversion of 37,410 Preferred E shares held by Alpha Credit Resources into 523,740 unrestricted $0.001 par value common stock.

On March 25, 2014, the Company entered into a three-year international distributor agreement whereby it appointed a distributor on an exclusive basis to purchase and resell the Genstrip product in the territory of Russia for consideration of $75,000, of which $50,000 is for the exclusive rights, and $25,000 is payment to be applied towards the first order. Another $25,000 is due July 1, 2014, of which the amount will be applied towards the first order, and the final payment of $50,000 is due September 30, 2014, of which the amount will be applied towards the first order. Within 12 months of product approval in Russia, the distributor is required to reach US$2,000,000 in purchases to maintain exclusivity for the next 12 months.

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 other than the following: