Decision Diagnostics Corp.

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

Quarterly Report for Period Ended March 31, 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 March 31, 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)

	March 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash	$ 1,411,576	$ 627,128
Accounts receivable, net	100,761	125,287
Inventory	110,446	4,450
Prepaid expenses	1,609,362	1,609,175
Total current assets	3,232,145	2,366,040
Fixed assets:		
Specialty manufacturing equipment	260,995	260,995
	260,995	260,995
Less accumulated depreciation	-	-
Fixed assets, net	260,995	260,995
Other assets:		
Intellectual property	1,015,705	732,705
Total other assets	1,015,705	732,705
Total assets	$ 4,508,845	$ 3,359,740
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 731,064	$ 743,243
Contingent legal fees	240,000	-
Subscriptions payable	1,562,500	77,500
Notes payable and short term debt (Note 5)	1,335,175	1,060,175
Total current liabilities	3,868,739	1,880,918
Deriviative 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 March 31, 2016 and December 31, 2015	-	-
Preferred series "B" stock, $0.001 par value, 2,500 shares		
authorized, 1,000 issued and outstanding		
as of March 31, 2016 and December 31, 2015	1	1
Preferred series "C" stock, $0.001 par value, 10,000 shares		
authorized, 4,885 and 4,085 shares issued and outstanding		
as of March 31, 2016 and December 31, 2015	5	4
Preferred series "D" stock, $0.001 par value, 500 shares		
authorized, no shares issued and outstanding as of		
as of March 31, 2016 and December 31, 2015	-	-
Preferred series "E" stock, $0.001 par value, 1,750,000 shares		
authorized, 787,540 and 687,540 issued and outstanding		
as of March 31, 2016 and December 31, 2015	788	688
Common stock, $0.001 par value, 494,995,000 shares authorized,		
64,622,342 and 58,782,484 shares issued and outstanding		
as of March 31, 2016 and December 31, 2015	64,624	58,784
Common stock unissued, 1,410,000 shares		
as of March 31, 2016 and December 31, 2015	1,411	1,411
Subscription receivable	(77,250)	(77,250)
Unit offering finders' fees	(321,344)	(321,344)
Additional paid-in capital	40,252,499	39,025,467
Retained (deficit)	(39,525,696)	(38,064,324)
Total stockholders' equity (deficit)	395,037	623,437
Total liabilities and stockholders' equity (deficit)	$ 4,508,845	$ 3,359,740

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

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

	Three Months Ended March 31,	
	2016	**2015**
Revenue	$ 163,849	$ 89,104
Cost of sales	111,860	63,158
Gross profit	51,989	25,946
Expenses:		
General & administrative expenses	120,167	79,299
Consulting	22,382	17,798
Payroll expense	6,600	15,116
Professional fees	1,259,155	1,308,891
Total expenses	1,408,304	1,421,104
Net operating (loss)	(1,356,315)	(1,395,158)
Other income (expense):		
Financing costs	(102,657)	(16,965)
Interest expense, net	-	(71,816)
Settlement expense	-	(204,000)
Total other income (expense)	(102,657)	(292,781)
Taxes		
State	(2,400)	(1,212)
Net loss	$ (1,461,372)	$ (1,689,151)
Add: Dividends declared on preferred stock	-	-
Income available to common shareholders'	$ (1,461,372)	$ (1,689,151)
Weighted average number of common shares outstanding - basic and fully diluted	57,310,766	46,253,846
Net income (loss) per share - basic and fully diluted	$ (0.03)	$ (0.04)

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

Decision Diagnostics Corp.

Statements of Shareholders' 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
BALANCE, December 31, 2015		***2,000***	***2***	***4,085***	***4***	***687,540***	***688***	***58,782,484***	***58,782***	***39,025,468***	***1,410***	***(77,250)***	***(321,344)***	***(38,064,324)***	***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 Herskowiz					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 Herskowitz							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		***2,000***	***2***	***4,885***	***5***	***787,540***	***788***	***64,622,342***	***64,622***	***40,252,500***	***1,410***	***(77,250)***	***(321,344)***	***(39,525,696)***	***395,037***

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

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities		
Net loss	$ (1,461,372)	$ (1,689,151)
Adjustments to reconcile net loss to		
net cash (used) by operating activities:		
Shares and options issued for services	490,000	527,500
Shares issued for settlement expense		204,000
Shares issued for financing fees	102,657	16,965
Changes in operating assets and liabilities		
Accounts receivable	24,525	(31,711)
Inventory	(105,996)	56,894
Prepaid and other assets	(187)	(10,000)
Accounts payable and accrued liabilities	(12,180)	245,660
Contingent legal fees	240,000	
Accrued interest	-	71,816
Net cash (used) by operating activities	(722,553)	(608,027)
Cash flows from investing activities		
Intellectual property	(283,000)	(260,742)
Net cash (used) by investing activities	(283,000)	(260,742)
Cash flows from financing activities		
Proceeds from notes payable	275,001	277,852
Shares issued and options exercised for cash	1,485,000	-
Net cash provided by financing activities	1,790,001	277,852
Net decrease in cash	784,448	(590,917)
Cash - beginning	627,128	1,750,002
Cash - ending	$ 1,411,576	$ 1,159,085
Supplemental disclosures:		
Interest paid	$ -	$ -
Income taxes paid	$ 2,400	$ 1,212
Non-cash transactions:		
Shares and options issued for services	$ 490,000	$ 527,500
Shares issued for financing activities	$ 102,657	$ 16,965
Shares issued for settlement expense	$ -	$ 204,000
Shares issued for debt and derivative liabilities	$ 610,316	$ -

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 three months ended March 31, 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 March 31, 2016 and 2015:

	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)	$ 732,705	$ (319,470)

	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	$ (1,060,175)

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. This company, The Bio Co., Ltd. ("The Bio"). 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 Bio's facility for the purposes of handling the lion's share of the Company's R&D and contract manufacturing. This relationship was memorialized through a four year partnership agreement. The company completed this purchase through a $250,000 derivative financing lead by Alpha Credit Anstalt. The company expected to begin regular shipments in the second quarter 2016 and did indeed accept first shipments on April 16, 2016. The Company announced commercial availability as of March 31, 2016.

NOTE 5 – Patents

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

During the first quarter, 2016, we received transfer of these patents and filed same with the USPTO, registered in the name of one of the Company's subsidiaries. These actions allowed for valuation of $275,000 financed by Alpha Credit Anstalt through additional derivative financing (see Note 4).

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 and will pursue collection of these additional offsets at an appropriate time. The Company has not yet recorded this acquisition on its books because the acquisition terms have not yet been fully determined and the final acquisition price to be determined by the court. The company did register this FDA cleared product with the U.S. FDA in 2014 and 2015 and reregistered the product again in 2016 knowing that a new registration process would be required to adhere to the U.S. FDA UDI mandate to go into effect in September 2016.

Establishment Name		Registration Number	Current Registration Yr
Pharma Tech Solutions, Inc	CA/USA	3008282042	2016
• Glucose Oxidase, Glucose - Alltara™; GenStrip50™; GenUltimate!™			Manufacturer; Specification Developer; Complaint File Establishment
• System, Test, Blood Glucose, Over The Counter - Alltara™; GenStrip50™; GenUltimate!™			Manufacturer; Specification Developer; Complaint File Establishment
PHARMA TECH SOLUTIONS, INC.	CA/USA	3007197758	2016

NOTE 7 – Notes payable

Notes payable consisted of the following as of December 31 2015 and 2014:

	December 31, 2015	December 31, 2014
Convertible promissory notes, secured, bearing interest at a 14% per annum, due various dates in FY2016-17	$ 1,335,175	$ 1,060,175
Total notes payable	$ 1,335,175	$ 1,060,175

We have recorded interest and financing expense in connection with our notes payable totaling $102,657 and $88,781 for the quarters ended March 31, 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. Holders of Series "B" convertible stock shall not be entitled to a mandatory monthly dividend.

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, 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. Holders of Series "E" convertible stock shall not be entitled to a mandatory monthly dividend.

2016 Issuances

Preferred

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.

Common

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.

Subscriptions Payable

During the quarter ended March 31, 2016, we received cash totaling $1,562,500 for subscribed shares that were not issued as of the quarter end, resulting in subscriptions payable of $1,562,500.

2015 Issuances

Preferred

During the quarter ended March 31, 2015, a Holder of our preferred series "E" shares elected to convert 50,366 shares into 705,124 shares of $0.001 par value common stock.

During the quarter endedMarch 31, 2015, we issued 235,000 shares of preferred series "E" shares for services valued at $58,750.

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

Common

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

NOTE 9 – 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 USFDA as well as on-going USFDA approvals during the product life cycle. 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. 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 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 have defended cases of this nature. Often these cases spin out of control. For instance we have been sued in several jurisdictions that involved the same or a single business transaction. Often these cases involve substantial over-prosecution where the company and its directors have been held accountable by Plaintiffs for things said or written in public 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 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 December 31, 2015, 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 material or potentially material to us.

Johnson & Johnson, Lifescan, Inc. and Lifescan Scotland Ltd.

We have been in litigation with Lifescan Inc. a subsidiary of Johnson & Johnson since September 2011. Lifescan has maintained throughout that our Genstrip product infringes on three of their patents. One of these patents has become the subject of peripheral litigation activities, and three Appeals to the U.S. Appeals Court for the Federal Circuit (the patents appeals court). Throughout this Appeal process, and a litigation process waged through the USPTO, the company has prevailed. Recently, as a result of certain claims and allegations made by Lifescan after the close of the USPTO final determination (in favor of the company), the office of the Solicitor General has intervened against

Lifescan Inc. in the Federal Circuit court. In January 2016 the Federal Circuit court ruled against Lifescan/J&J by issuing a Rule 36 pronouncement, a ruling without written analysis, a tool typically used when the court finds that the appellant's argument is without merit. Lifescan/J&J has indicated that they intend to file for a rehearing no later than April 6.

The seeming baseless allegations and claims made by Lifescan against the company have taken their toll, limited our ability to sell Genstrip 50 (and GenUltimate!) to large entities ("big box stores") and greatly extended the court processes. In factthe office of the solicitor, in written pleadings, accused Lifescan/J&J of "sandbagging."

In the Spring of 2013, fearing the impact of the Genstrip product in an open market, Lifescan took it upon themselves to violate a court protective order and prepared and sent out thirty page certified (veiled threat) letters to customers of the company and the customers of the company's customers, making it clear to these entities that should they do business with the company, or buy Genstrip product from others doing business with the company, they could or would be added as defendants to the patent infringement suit. Most independent pharmacies in the U.S. sell less than a case (24 boxes) of a single brand of glucose test strips monthly. It is easy to ascertain that an independent pharmacy would choose not to "poke the bear" and risk a several hundred thousand dollar defense, rather than halting sales of Genstrip. Some large retailers were visited or called by Lifescan management and provided with the same veiled threats. Lifescan even calculated that by breaching the protective order, the sanctions they would be assessed would amount to far less than the business loss they would otherwise suffer. Slowly however, the litigation environment enjoyed by Lifescan has changed.

In the spring of 2015, Lifescan, perhaps realizing litigation reality, dismissed all of their claims involving one patent, with prejudice, and dropped (with prejudice) all damage claims on a second of their three patents. Two of Lifescan/J&J's patents have now expired and the litigation surrounding them has moved into a dueling court Motion exercise. The third Lifescan patent, the foundation patent for their OneTouch Ultra product, is clinging to life in an appeals court, with the office of the Solicitor General intervention, that patent was terminated in USPTO court hearings and appeals, because this patent contained unpatentable technology and patent claims.

More recently, during the writing of this document, the company has requested again, all documents related to communication with these besieged customers of the company, and the customers of the company's customers. Certified mail leaves an audit trail, and soon through the court discovery process for a $12.7 million court bond surety, the company will be able to get to the bottom of this illegal behavior. Proving this behavior would help the prospects of Genstrip 50 and GenUltimate! dramatically.

In December 2014 counsel for Lifescan wrote a letter to the trial judge who is hearing all three patent matters. This letter outlined a series of issues involving Lifescan's lead damages "expert" during litigation proceedings. Lifescan's expert claimed educational and qualification credentials that were not true at the time of the "expert" testimony, and are not true even today. This expert also assisted Lifescan's counsel in at least one other case, and other companies' counsels in unrelated cases. Testimony from this expert, in each instance, allowed the Plaintiffs in these cases to secure court rulings to the detriment of the Defendants. In the company's case this expert was used twice and assisted Lifescan to receive preferential treatment from the court for setting of a litigation bond to cover potential damages, wherein the "expert" through testimony limited the scope and calculation of damages in the setting of the damages protection afforded by the litigation bond and the damages resulting from Lifescan's violation of the court protective order. Lifescan's letter admonition came over a year after their successful use of this "expert."

In late March 2016 the Company filed a patent infringement suit in the District Court of Nevada against Johnson + Johnson and several divisions. This suit is separate from the collection of suits that were heard in San Franciaso, CA.
On May 9, 2016 the U.S. Court of Appeals for the Federal Circuit ruled against Lifescan's appeal for a re-hearing and an en banc hearing. A Mandate from the court will issue on May 17, 2016. Lifescan's '105 patent, the foundation for so much of this litigation was revoked.

Certain of the three cases in front of the trial judge in the Federal District court, have most recently been ordered to mediation for the third time, as the disposition of these cases nears conclusion. On April 28, 2016 the mediation took place and was successful. The trial judge filed an "end of cases" ruling on April 29, 2016.

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.

On February 1, 2016 the company accepted a subscription agreement from LICGO Partners LLC for a total of $3.5 million. As of March 31, 2016 the company had received $subscriptions totaling 1,562,500. Through May 10, 2016 the Company had received a total of $2,250,000.

On March 26, 2016 the Company received testing information gathered through the efforts of our Korean Partner, The Bio Co., Ltd. As a result of this testing data the company accepted its GenUltimate product as complete and ready for market.

On April 16, the Company accepted delivery of the first commercial shipments of GenUltimate! product.

Through April 16, 2016 the company, from time to time, suffered severe inventory shortage of the Genstrip 50 product, owing to the timing of the various settlements with Johnson & Johnson with Defendants. For some period of time the company's contract manufacturer was unable, due to their settlement with Johnson & Johnson, to ship to the company certain quantities of the Genstrip product. This problem began to clear up in late March 2016, and with the advent of adding the GenUltimate! product from Korea, shortages have been alleviated. The company's capacity for Genstrip 50 and GenUltimate! production is now 500,000 packages per month (50 strips per package). Lack of inventory to service sales orders is estimated to have lowered sales by $250,000 or more in 1Q 2016.

On April 26, 2016 the Company amended its Note agreement with Alpha Capital Anstalt to include a new credit facility designated for inventory borrowings (pre-payments). The Company drew down $667,000 as an inventory line.

On April 28, the Company executed a Binding Settlement Term Sheet during a mediation held in the patent infringement cases filed by divisions of Johnson + Johnson. This preliminary agreement brought to an end almost five years of litigation with the divisions of Johnson + Johnson and paves the way for interference free commerce concerning the Company's GenStrip 50 and GenUltimate products.

On May 9, 2016 the U.S. Court of Appeals for the Federal Circuit denied the requests made by divisions of Johnson + Johnson for a rehearing and/or en banc hearing of their USPTO ruling appeal concerning their '105 patent. On May 17, 2016 the Federal Circuit court plans to release its Mandate, effectively ending the life of this '105 patent.