Decision Diagnostics Corp.

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

Annual Report for Year Ended December 31, 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 years ended December 31, 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)

		December 31, 2017		December 31, 2016
Assets				
Current assets:				
Cash	$	1,088,761	$	1,351,860
Accounts receivable, net		437,904		537,131
Inventory		316,659		407,463
Prepaid expenses		859,413		1,611,995
Total current assets		2,702,737		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		551,875		502,130
Patent licenses, net value		1,075,825		1,075,825
Total other assets		1,627,700		1,577,955
Total assets	$	5,132,752	$	6,223,829
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	805,555	$	723,171
Accrued interest		173,433		355,055
Contingent legal fees		240,000		240,000
Notes payable and short term debt (Note 5)		2,029,087		2,301,661
Total current liabilities		3,248,074		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 December 31, 2017 and December 31, 2016		-		-
Preferred series "B" stock, $0.001 par value, 2,500 shares authorized, 1,000 issued and outstanding as of December 31, 2017 and December 31, 2016		2		2
Preferred series "C" stock, $0.001 par value, 10,000 shares authorized, 6,235 and 4,085 shares issued and outstanding as of December 31, 2017 and December 31, 2016		6		6
Preferred series "D" stock, $0.001 par value, 500 shares authorized, 40 shares issued and outstanding as of as of December 31, 2017 and December 31, 2016		-		-
Preferred series "E" stock, $0.001 par value, 1,250,000 shares authorized, 813,240 and 843,240 issued and outstanding as of December 31, 2017 and December 31, 2016		813		843
Common stock, $0.001 par value, 494,995,000 shares authorized, 110,241,610 and 84,629,908 shares issued and outstanding as of December 31, 2017 and December 31, 2016		110,032		84,431
Common stock unissued, 1,410,000 shares as of December 31, 2017 and December 31, 2016		1,411		1,411
Subscription receivable		(82,250)		(82,250)
Unit offering finders' fees		(321,344)		(321,344)
Additional paid-in capital		46,288,346		44,041,778
Retained (deficit)		(44,357,408)		(41,366,004)
Total stockholders' equity		1,639,608		2,358,873
Total liabilities and stockholders' equity	$	5,132,752	$	6,223,829

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

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

	Years Ended December 31, 2017	Years Ended December 31, 2016
Revenue	$ 1,880,391	$ 725,484
Cost of sales	1,565,991	449,918
Gross profit	314,400	275,566
Expenses:		
General & administrative expenses	754,541	427,192
Consulting	127,610	498,916
Compensation expense	384,059	26,800
Professional fees	1,412,750	1,948,407
Total expenses	2,678,960	2,901,315
Net operating (loss)	(2,364,559)	(2,625,749)
Other income (expense):		
Financing costs	(149,915)	(920,416)
Interest expense, net	(200,172)	(176,056)
Loss on write-down of obsolete inventory	(98,221)	(242,736)
Loss on terminated contract	(176,137)	-
Gain on patent licenses	-	1,000,000
Total other income (expense)	(624,445)	(339,208)
Taxes:	2,852,910	3,997,787
State	(2,400)	(2,400)
Net loss	$ (2,991,404)	$ (2,967,357)
Add: Dividends declared on preferred stock	-	-
Income available to common shareholders'	$ (2,991,404)	$ (2,967,357)
Weighted average number of common shares outstanding - basic and fully diluted	94,243,219	66,451,145
Net 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 "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**
BALANCE, December 31, 2015		1,000	1	4,085	4			687,540	688	58,782,484	58,782	39,025,468	1,410	(77,250)	(321,344)	(41,366,004)	623,437
2/2/2016	New Issuance-Alpha Capital Anstalt									970,980	971	154,386					155,357
2/17/2016	New Issuance-Alpha Capital Anstalt									1,614,248	1,614	224,380					225,995
2/25/2016	New Issuance-Robert Herskow iz							100,000	100	750,000	750	119,150					120,000
3/21/2016	New Issuance-Paradigm Capital Holdings			800	1					1,400,000	1,400	488,599					490,000
3/21/2016	New Issuance-Robert Herskow itz									200,000	200	69,800					70,000
3/29/2016	New Issuance-Alpha Capital Anstalt									404,630	405	141,216					141,621
3/29/2016	New Issuance-James J Loures									500,000	500	29,500					30,000
	Net loss															(1,461,372)	(1,461,372)
BALANCE, March 31, 2016		1,000	1	4,885	5			787,540	788	64,622,342	64,622	40,252,500	1,410	(77,250)	(321,344)	(42,827,376)	395,037
4/13/2016	New Issuance-Robert Herskow itz									280,000	280	28,280					28,560
4/13/2016	New Issuance-Robert Herskow itz									280,000	280	28,280					28,560
4/13/2016	New Issuance-Robert Herskow itz 2011 Irv TR									140,000	140	14,140					14,280
4/13/2016	New Issuance-Chase Financial									148,160	148	14,964					15,112
4/13/2016	New Issuance-Mark Herskow ittz									185,195	185	18,707					18,892
4/13/2016	New Issuance-Andrew Schoenzeit									37,040	37	3,741					3,778
4/13/2016	New Issuance-Robert Herskow itz 2011 Irv TR									431,376	432	43,568					44,000
4/26/2016	New Issuance-LICGO Partners									1,837,500	1,838	185,486					187,324
4/26/2016	Conversion-Mayer & Associates							(14,300)	(14)	200,200	-	14					-
5/2/2016	New Issuance-Robert Herskow itz									472,106	472	47,683					48,155
5/5/2016	New Issuance-Alpha Capital Anstalt									998,099	998	100,808					101,806
5/17/2016	New Issuance-Alpha Capital Anstalt									422,669	423	42,689					43,112
5/17/2016	New Issuance-Navesink			(125)	-					625,000	625	(500)					-
5/18/2016	New Issuance-LICGO Partners									525,000	525	53,025					53,550
5/18/2016	Conversion-Mayer & Associates									220,000	220	(220)					-
6/1/2016	New Issuance-Alpha Capital Anstalt									814,314	814	82,095					83,060
6/6/2016	New Issuance-Mark Herskow itz									1,000,000	1,000	101,000					102,000
6/6/2016	New Issuance-Chase Financing Inc Profit Sh.									1,050,000	1,050	106,050					107,100
6/6/2016	New Issuance-Robert Herskow itz									280,000	280	28,280					28,560
6/6/2016	New Issuance-Robert Herskow itz 2011 Irv TR									70,000	70	7,070					7,140
6/6/2016	New Issuance-Mark Herskow itz 401K Trust							100,000	100	-	-	(100)					-
6/6/2016	New Issuance-Chase Financing Inc Profit Sh.							35,000	35	-	-	(35)					-
6/6/2016	New Issuance-Chase Financing							25,000	25	-	-	(25)					-
6/8/2016	New Issuance-Alpha Capital Anstalt									484,148	484	48,900					49,384
6/27/2016	New Issuance-Navesink			(125)	-					625,000	625	(500)					-
6/30/2016	New Issuance-LICGO Partners			1,725	1							549,999					550,000
6/30/2016	Closed preferred offering										-	1,562,500		(5,000)			1,557,500
	Net loss															(213,337)	(213,337)
BALANCE, June 30, 2016		1,000	1	6,360	6			933,240	934	75,748,149	75,549	43,318,398	1,411	(82,250)	(321,344)	(43,040,713)	3,253,672
7/18/2016	New Issuance-Cadence Holdings LLC									100,000	100	13,900					14,000
7/18/2016	New Issuance-TPC Holdings Group									150,000	150	20,850					21,000
7/21/2016	New Issuance-Robert Herskow itz							(30,000)	(30)	420,000	420	(390)					-
7/21/2016	New Issuance-Robert Herskow itz									270,000	270	32,130					32,400
7/21/2016	New Issuance-Robert Herskow itz 2011 Irv TR									70,000	70	9,030					9,100
7/21/2016	New Issuance-Chase Financial							(67,500)	(68)	945,000	945	(878)					-
8/2/2016	New Issuance-Navesink			(125)	-					625,000	625	(625)					-
8/29/2016	New Issuance-Alpha Capital Anstalt									954,925	955	142,284					143,239
9/7/2016	New Issuance-Chase Financial							(67,500)	(68)	945,000	945	(878)					-
9/19/2016	New Issuance-Alpha Capital Anstalt									521,784	522	62,092					62,614
9/19/2016	New Issuance-Mark Herskow itz									805,147	805	95,812					96,618
9/19/2016	New Issuance-Marc Berger									400,000	400	47,600					48,000
9/19/2016	New Issuance-Chase Financing Inc Profit Sh.							75,000	75			8,925					9,000
	Rounding		1						(1)			1					1
	Net loss															(1,292,648)	(1,292,648)
BALANCE, September 30, 2016		1,000	2	6,235	6			843,240	843	81,955,005	81,755	43,748,252	1,411	(82,250)	(321,344)	(44,333,361)	2,396,995
12/6/2016	New Issuance-Alpha Capital Anstalt									1,919,603	1,920	211,198					213,118
12/12/2016	New Issuance-LICGO Partners									755,300	755	82,328					83,083
	Rounding																1
	Net loss															(334,325)	(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

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
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
	Rounding																1
	Net loss															(606,424)	(606,424)
BALANCE, JUNE 30, 2017		1,000	2	6,187	6	-	-	963,240	963	92,067,522	91,868	44,620,222	1,411	(82,250)	(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	-					-	-	-					-
	Net loss															(758,218)	(758,218)
BALANCE, SEPTEMBER 30, 2017		1,000	2	6,263	6	-	-	863,240	863	101,271,675	101,072	45,057,142	1,411	(82,250)	(321,344)	(43,166,475)	1,590,428
10/3/2017	New Issuance-Alpha Capital Anstalt									987,640	988	107,653					108,640
10/18/2017	New Issuance-Sovereign Partners					40	-			-	-	425,000					425,000
10/23/2017	New Issuance-Alpha Capital Anstalt									991,943	992	137,880					138,872
10/23/2017	New Issuance-LICGO Partners			210	-					-	-	-					-
11/6/2017	New Issuance-Mark Herskowitz									500,000	500	59,500					60,000
11/6/2017	New Issuance-Alpha Capital Anstalt									2,878,058	2,878	342,489					345,367
12/4/2017	New Issuance-Alpha Capital Anstalt									1,502,294	1,502	151,732					153,234
12/6/2017	New Issuance-Chase Financing Inc							(50,000)	(50)	700,000	700	(650)					-
12/12/2017	New Issuance-Robert Herskowitz							100,000	100	-	-	8,900					9,000
12/19/2017	New Issuance-Robert Herskowitz							(100,000)	(100)	1,400,000	1,400	(1,300)					-
	Rounding											1					-
	Net loss															(1,190,933)	(1,190,933)
BALANCE, DECEMBER 31, 2017		1,000	2	6,473	6	40	-	813,240	813	110,231,610	110,032	46,288,346	1,411	(82,250)	(321,344)	(44,357,408)	1,639,608

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

	Years Ended December 31, 2017	Years Ended December 31, 2016
Cash flows from operating activities		
Net loss	$ (2,991,404)	$ (2,967,357)
Adjustments to reconcile net loss to		
net cash (used) by operating activities:		
Amortization of prepaid legal fees	750,000	-
Shares and options issued for services	21,400	582,100
Options issued for employee compensation	36,000	-
Shares issued for financing fees	149,915	920,417
Gain on patent license	-	(825,000)
Loss on writedown of obsolete inventory	98,221	242,736
Non-cash portion of loss on terminated contract	83,472	-
Changes in operating assets and liabilities		
Accounts receivable	99,227	(221,953)
Inventory	(7,417)	(654,253)
Prepaid and other assets	2,582	(3,529)
Accounts payable and accrued liabilities	(1,086)	(140,252)
Contingent legal fees	-	240,000
Accrued interest	200,172	296,970
Net cash (used) by operating activities	(1,558,919)	(2,530,121)
Cash flows from investing activities		
Fixed assets	(64,890)	(300,000)
Intellectual property	(49,745)	(17,750)
Net cash (used) by investing activities	(114,635)	(317,750)
Cash flows from financing activities		
Proceeds from notes payable	985,455	1,567,745
Subscriptions payable	-	(77,500)
Shares issued and options exercised for cash	425,000	2,137,500
Net cash provided by financing activities	1,410,455	3,627,745
Net decrease in cash	(263,099)	779,874
Cash - beginning	1,351,860	626,429
Cash - ending	$ 1,088,761	$ 1,406,303
Supplemental disclosures:		
Interest paid	$ -	$ -
Income taxes paid	$ 2,400	$ 2,400
Non-cash transactions:		
Shares and options issued for services	$ 21,400	$ 582,100
Options issued for compensation	$ 36,000	$ -
Shares issued for financing activities	$ 149,915	$ 920,417
Shares issued for debt and derivative liabilities	$ 1,639,823	$ 1,100,900

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

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 acquisition 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. or the Company. 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 nearly wholly owned (99.93%) owned subsidiaries, PDA Services, Inc. and PharmaTech Solutions, Inc., and its wholly owned subsidiaries Pharmtech Direct Corp, PharmaTech Sensor Development Corp., and Decision IT Corp. 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, 2016 and 2015, 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. Our bank is a money market bank and as such, 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, 2017 and 2016.

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, 2017 we had a balance of $650,000 in an account, which exceeded 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. Since the Company's customers have been subject to new and on-going draconian government reduction of healthcare reimbursement, previous rules regarding creditworthiness are changing. 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, 2017 and 2016, 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, or should FDA or Medicare regulations change after delivery is made. The advent of Medicare's competitive bidding program that covers the products the Company manufactures has added to regulatory issues faced by the Company.

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. Advertising costs of $37,965 and $27,500 were included in general and administrative expenses as of December 31, 2017 and 2016, respectively. Television, radio and other media advertising has been treated as professional expense.

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, 2017 and 2016, we have accrued contingent legal fees and product liability fees totaling $485,069 and $245,069, 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, 2017 and 2016. 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, 2017 and 2016.

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 (issued or authorized and unissued) convertible into common stock for an additional 48,620,200 common shares. Most of the Company’s authorized Preferred shares remain unissued.

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 2017, three customers accounted for approximately 95% of net sales compared to three customers accounting for approximately 90% of net sales in 2016. However, it should be noted that all three of the Company’s largest customers make use in large part to on-line sales through Amazon, Walmart, Sears, Jet.com and at least 900 other on-line sellers and aggregators.

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 a series of strategic partnerships with licensed pharmacies for the billing and future servicing of these patients. We also maintain relationships with the entities where the patients reside. As of December 31, 2017 and 2016, we obtained the majority of our pharmaceutical products from two contract manufacturers and three other 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.

<u>Reclassifications</u>

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.

<u>Recent Accounting Pronouncements</u>

Management has analyzed all pronouncements issued during the year ended December 31, 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 the financial statements of the Company.

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

<u>Year-end</u>

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 December 31, 2017 and 2016:

	FYE 2017 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Intellectual property	$ -	$ -	$ 551,875	$ 551,875
Patent licenses, net value			1,075,825	1,075,825
Liabilities				
Notes payable	-	(2,029,087)	-	(2,029,087)
Total	$ -	$ (2,029,087)	$ 1,627,700	$ (401,387)

	FYE 2016 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Intellectual property	$ -	$ -	$ 502,130	$ 502,130
Patent licenses, net value			1,075,825	1,075,825
Liabilities	-	-	-	-
Notes payable	-	(2,301,661)	-	(2,301,661)
Total	$ -	$ (2,301,661)	$ 1,577,955	$ (723,706)

NOTE 4 – Equipment – Specialty Manufacturing Instruments

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

2016, and the products are commercially available as manufactured in Korea as of December 31, 2016. The company is obligated to abide by new FDA regulation regarding product identification and registration, the so-called FDA UDI initiative, and has had to alter packaging and its establishment registrations to accommodate this change. Shipments using the new FDA UDI packaging began on September 22, 2016. Changeover to the FDA UDI product packaging format has necessitated a withdrawal of non-UDI inventory from stock valued at $98,221 and 242,736 due to obsolescence during fiscal 2017 and 2016, respectively. This process began in the periods ended June 30, 2016 and September 30, 2016 and are reflected herein. The company expects to sell this obsolete but suitable product in certain international markets.

NOTE 5 – Patents

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

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

During the second quarter, 2016, as a part of a legal settlement with Johnson & Johnson, we acquired patent licenses through litigation valued by us at $1,000,000 (gain on patent licenses), with a capitalized net book value of $550,000. These licenses have been put to use by the company in improvements made to our GenUltimate! product, and in the development and manufacture of a new product, our GenSure!, for new markets released in 4Q 2017.

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 was the subject of two litigations, one litigation related to the remaining proceeds of an IP defense insurance policy that was settled in 3rd Quarter 2016, the other litigation concerning damages the company is trying to collect from Shasta Technologies LLC owing to Shasta's subsequent undisclosed issues, disputes and non-conformance 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 from Shasta's bad faith will be much higher than the aforementioned assets purchase price. The Company has not yet recorded this acquisition on its books for several reasons: (1) Shasta's issues with the FDA, total lack of documentation, and untruthfulness lead to the company's redesign of the product in 2nd Quarter 2016, and (2) acquisition terms have not yet been fully determined and the final acquisition price to be determined by the court. In November 2016 the Company's case against Shasta received a very positive ruling from the courts. On another note, a Mediation expected to be held late in August 2016 was delayed by the Shasta Defendants. Should this Mediation occur and be successful the company can then value its Genstrip assets (which it no longer makes use of) fairly and end its communications with Shasta. The company did register this FDA cleared product with the US FDA in 2014, 2015 and 2016 and re-registered the product for 2017 and 2018 (the lattr years using the FDA's UDI registration). The registration process changed in 2016 due to the FDA's mandated implementation of its UDI product registration and reporting regulations. The company has complied with these regulations prior to their September 24, 2016 effective date.

NOTE 7 – Debt and Interest and financing expenses

We owe our noteholders a combined total of $2,029,087 plus accrued interest of $173,433. The notes are convertible into shares of our $.001 par value common stock at rate of $.102 per share, or a combined total of approximately 19,893,000 shares of common stock.

We have recorded interest and financing expense in connection with our notes payable totaling $200,172 and $176,056 and $149,915 and $920,416 for the years ended December 31, 2017 and 2016, 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 its amendments; 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; 6) increased the number of preferred shares designated as Series "D" from 500 to 1,250.

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. In late December 2017 the Board of Directors authorized the rescission of all Preferred B shares and terminate the Designations for this class of Preferred stock. We are in the process of doing so.

Series "C" convertible preferred stock

We have designated 10,000 shares of our $0.001 preferred stock as 2011 Series "C". Each share of 2011 Series C Preferred stock is valued at $1,000. Holders of series "C": convertible stock shall not have the right to vote on matters that come before the shareholders. 2011 Series "C" convertible preferred stock may be converted after 36 months, but not before unless by Board Resolution, the number of shares into which one share of 2011 Series "C" Preferred Stock shall be convertible on a pro-rata basis into common stock shares, each share of common stock valued at $0.20. 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 1,250 shares of our $0.001 preferred stock as 2012 Series "D". As of this date, 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 three years (36 months) after 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. In 4Q 2016 and 1Q 2017 the company amended the Designations of its 2012 Series "D" convertible stock in anticipation of a large investment by a private non-fund related party. Should this investment occur, the majority of or all of the 1,250 shares would be subscribed to. 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. Holders of 2012 Series "D" shares may not convert these shares into common stock until the expiration of a 36 month holding period, unless the holder has received an extraordinary allowance to convert shares earlier by the company's Board of Directors.

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.

2017 Issuances

Preferred

Series "C":
During the quarter ended December 31, 2017, we issued 210 shares of preferred series "C" shares for financing costs.

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 June 30, 2017, we issued 157 shares of preferred series "C" shares for financing costs.

During the quarter ended June 30, 2017, two holders of preferred series "C" shares converted 205 shares into 1,025,000 shares of common stock.

Series "D":
During the quarter ended December 31, 2017, we issued 40 shares of preferred series "D" shares for cash totaling $425,000.

During the quarter ended June 30, 2017, we issued 370 shares of preferred series "D" shares for subscriptions receivable of $3,250,000. We subsequently learned that the individual who negotiated the financing is suspected as a money launderer by authorities in the U.S. and Spain, and perhaps in other sovereigns. The subscriptions receivable has subsequently been cancelled and the shares have been voided.

Series "E":
During the quarter ended December 31, 2017, we issued 100,000 shares of preferred series "E" shares for financing costs totaling $9,000.

During the quarter ended December 31, 2017, 150,000 shares of preferred series "E" were converted 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.

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

During the quarter ended March 31, 2017, we issued 120,000 shares of preferred series "E" shares for services valued at $14,400.

During the quarter ended March 31, 2017, a holder of our preferred series “E” shares elected to convert 100,000 preferred series “E” shares into 1,400,000 shares of our $0.001 par value common stock.

Common

During the quarter ended December 31, 2017, we issued 6,859,935 shares of $0.001 par value common stock for conversion of debt, financing costs, and accrued interest totaling $949,713.

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.

During the quarter ended June 30, 2017, we issued 100,000 shares of $0.001 par value common stock for consulting services valued at $7,000.

During the quarter ended June 30, 2017, we issued 1,096,312 shares of $0.001 par value common stock for conversion of debt totaling $111,824.

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 5,216,302 shares of $0.001 par value common stock for conversion of debt totaling 389,263 and financing costs totaling $20,515.

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

2016 Issuances

Preferred

Series “C”:

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

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

During the quarter ended September 30, 2016, 125 shares of preferred series “C” shares were converted into 625,000 shares of our $0.001 par value common stock.

Series “E”:

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

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

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

During the quarter ended September 30, 2016, we issued 75,000 shares of preferred series “E” shares for financing costs totaling $9,000.

During the quarter ended September 30, 2016, 165,000 preferred series “E” shares were exchanged for 2,310,000 shares of $0.001 par value common stock.

<u>Common Stock</u>

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 cash totaling $30,000.

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

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

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

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

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

During the quarter ended September 30, 2016, we issued 720,000 shares of $0.001 par value common stock for consulting expenses totaling $582,100.

During the quarter ended September 30, 2016, we issued 1,746,709 shares of $0.001 par value common stock for financing expenses totaling $920,315.

During the quarter ended September 30, 2016, we issued 805,147 shares of $0.001 par value common stock at the election of noteholders to satisfy convertible debt totaling $96,618.

During the quarter ended September 30, 2016, 125 shares of preferred series “C” shares were converted into 625,000 shares of our $0.001 par value common stock.

During the quarter ended September 30, 2016, 165,000 preferred series “E” shares were exchanged for 2,310,000 shares of $0.001 par value common stock.

During the quarter ended December 31, 2016, we issued 1,919,603 shares of $0.001 par value common stock at the election of noteholders to satisfy convertible debt and interest totaling $195,800. The fair market value of the shares on the date of grant exceeded the conversion price of $.102 per share resulting in financing expense of $17,318.

During the quarter ended December 31, 2016, we issued 755,300 shares of $0.001 par value common stock for financing expenses totaling $83,083.

NOTE 11 – 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 through December 31, 2016.

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 through December 31, 2016.

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 through December 31, 2016.

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, 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	-	-
Options cancelled	-	-
Options exercised	-	-
Balance, December 31, 2017	9,621,286	$ 0.10

NOTE 12 – Warrants

The following is a summary of activity of outstanding warrants:

	Number of Shares	Weighted Average Exercise Price
Balance, January 1, 2016	2,603,143	$ 0.56
Warrants granted	-	-
Warrants cancelled	-	-
Warrants exercised	-	-
Balance, December 31, 2016	2,603,143	$ 0.56
Balance, January 1, 2017	2,603,143	$ 0.56
Warrants granted	-	-
Warrants cancelled	-	-
Warrants exercised	-	-
Balance, December 31, 2017	2,603,143	$ 0.56

NOTE 13 – Commitments and Contingencies

Contingencies and Litigation

The Company transacts commerce in several medical products market channels. They also transact commerce by licensing our proprietary medical software that functions by moving confidential medical data through our proprietary medical information technology devices and networks. The Company's GenStrip 50 (earlier version) 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 the company had to meet new FDA Guidelines for product identification, tracking and standardization. Called the FDA UDI initiative, the new packaging required, and met by the company, approximates a similar standard implemented in the European Union in 2013. The Company is now filing for approval in the EU.

Further, our products required medical patient trials and competes directly with a major platform manufacturer. We completed patient trials for our GenUltimate! (twice) and GenSure! products. We are currently in patient trials for our GenChoice! and GenPrecis! products. Healthcare, especially those segments where the company competes, is a very litigious. Competing companies often use litigation as a marketing tool, bringing litigation as a means to protect market share and limit market exposure. The Company has in the past (and currently) defended cases brought by Plaintiffs asserting these types of claims. Defending these empty strike claims are very expensive and diverts precious management resources.

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

The Company may also become involved in disputes that arise over the business or business practices of their suppliers, payers and customers, people or entities that the Company may not be familiar with. The company maintains substantial insurance coverage against suits that may arise over issues of damaged, recalled or counterfeit product and other product liability issues. The company has also been a victim of the unapproved acts of prior management. These acts have resulted in claims from individuals and entities since the Board relieved former management of duty in 2006. Nonetheless, these claims have resulted in the use of management time and company resources to investigate, litigate, or settle. In addition, the company accrues contingent legal fees and product liability fees. As of December 31, 2017, our contingent legal fees accrual was $240,000 and our general contingencies accrual was $245,069. Contingencies total $485,069.

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.

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.

Rent expense totaled $26,040 and $26,040 for the years ended December 31, 2017 and 2016, respectively.

NOTE 14 – 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.

During the quarter ended March 31, 2018, the Company cancelled all of its 1,000 shares issued and outstanding Preferred series "B" stock.

During the quarter ended March 31, 2018 the company received a settlement payout from Appyea, Inc. (APYP) for a failed reverse merger. APYP issued 75,000,000 common stock shares to the company in settlement of all claims.

In late March 2018 the company was contacted by Walmart (and Jet.com) and offered an opportunity to upgrade its portal status to a level where Walmart (and Jet) would depot stock the DECN products at Walmart transit facilities and where Walmart (themselves) would sell and fulfill orders for the company's products.

All events occurring after December 31, 2017 and throughout the period to end on March 31, 2018 have been disclosed and discussed in the company's Supplemental Disclosures filed as a part of the annual statement.

Error Repair

The company will endeavor to repair any and all errors that new sets of eyes find in this document after its posting, whether these errors are in spelling, grammatical, punctuational or numeric. We are not perfect.