DECISION DIAGNOSTICS CORP.

OTC PINK BALANCE SHEET, STATEMENTS OF EQUITY & CASH FLOWS, FOOTNOTES TO BALANCE SHEET

Annual Report for Years Ended

December 31, 2018 and 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, 2018, and 2017. 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, 2018	December 31, 2017
Assets		
Current assets:		
Cash	$ 358,757	$ 1,088,761
Accounts receivable, net	949,797	437,904
Inventory	250,716	316,659
Prepaid expenses	106,988	859,413
Total current assets	1,666,258	2,702,737
Fixed assets:		
Specialty manufacturing equipment	802,315	802,315
	802,315	802,315
Less accumulated depreciation	-	-
Fixed assets, net	802,315	802,315
Other assets:		
Intellectual property	567,175	551,875
Patent licenses, net value	1,150,825	1,075,825
Total other assets	1,718,000	1,627,700
Total assets	$ 4,186,573	$ 5,132,752
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,030,270	$ 805,555
Accrued interest	48,462	173,433
Contingent legal fees	240,000	240,000
Notes payable and short term debt (Note 5)	1,530,680	2,029,087
Total current liabilities	2,849,412	3,248,074
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, 2018 and December 31, 2017	-	-
Preferred series "B" stock, $0.001 par value, 2,500 shares		
authorized, 1,000 issued and outstanding		
as of December 31, 2018 and December 31, 2017	2	2
Preferred series "C" stock, $0.001 par value, 10,000 shares		
authorized, 7,458 and 6,473 shares issued and outstanding		
as of December 31, 2018 and December 31, 2017	7	6
Preferred series "D" stock, $0.001 par value, 500 shares		
authorized, 100 shares issued and outstanding as of		
as of December 31, 2018 and December 31, 2017	-	-
Preferred series "E" stock, $0.001 par value, 1,250,000 shares		
authorized, 847,540 and 813,240 issued and outstanding		
as of December 31, 2018 and December 31, 2017	847	813
Common stock, $0.001 par value, 494,995,000 shares authorized,		
134,551,840 and 110,231,610 shares issued and outstanding		
as of December 31, 2018 and December 31, 2017	134,343	110,032
Common stock unissued, 1,410,000 shares		
as of December 31, 2018 and December 31, 2017	1,411	1,411
Subscription receivable	(82,250)	(82,250)
Unit offering finders' fees	(321,344)	(321,344)
Additional paid-in capital	47,956,705	46,288,346
Retained (deficit)	(46,597,629)	(44,357,408)
Total stockholders' equity	1,092,091	1,639,608
Total liabilities and stockholders' equity	$ 4,186,573	$ 5,132,752

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

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

	Years ended December 31,	
	2018	**2017**
Revenue	$ 2,235,989	$ 1,880,391
Cost of sales	1,454,819	1,565,991
Gross profit	781,169	314,400
Expenses:		
General & administrative expenses	541,950	754,541
Consulting	130,658	127,610
Compensation expense	473,973	384,059
Professional fees	1,487,750	1,412,750
Total expenses	2,634,331	2,678,960
Net operating (loss)	(1,853,162)	(2,364,560)
Other income (expense):		
Financing costs	(195,877)	(149,915)
Interest expense, net	(190,210)	(200,172)
Loss on write-down of obsolete inventory	(902)	(98,221)
Loss on terminated contract	-	(176,137)
Total other income (expense)	(386,989)	(624,445)
Taxes:		
State	(70)	(2,400)
Net loss	$ (2,240,220)	$ (2,991,405)
Add: Dividends declared on preferred stock	-	-
Income available to common shareholders'	$ (2,240,220)	$ (2,991,405)
Weighted average number of common shares outstanding - basic and fully diluted	124,989,890	92,243,219
Net loss per share - basic and fully diluted	$ (0.02)	$ (0.03)

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, 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*
1/8/18	New Issuance-Alpha Capital Anstalt									1,504,281	1,504	151,932					153,437
1/18/18	New Issuance-Robert Herskowitz							100,000	100	-	-	5,900					6,000
2/9/18	New Issuance-Alpha Capital Anstalt									1,496,661	1,497	151,163					152,659
2/23/18	New Issuance-Robert Herskowitz							(100,000)	(100)	1,400,000	1,400	(1,300)					-
2/23/18	New Issuance-Chase Financing Inc Profit Sh.							(70,000)	(70)	980,000	980	(910)					-
3/5/18	New Issuance-Alpha Capital Anstalt									1,510,797	1,511	152,590					154,101
3/31/18	New Issuance-Alpha Capital Anstalt									1,521,904	1,522	153,712					155,234
	Net loss															*(573,155)*	*(573,155)*
BALANCE, MARCH 31, 2018		*1,000*	*2*	*6,473*	*6*	*40*	*-*	*743,240*	*743*	*118,645,253*	*118,446*	*46,901,434*	*1,411*	*(82,250)*	*(321,344)*	*(44,930,563)*	*1,687,885*
4/3/18	New Issuance-Mark Herskowitz									849,123	849	85,761					86,611
4/16/18	New Issuance-Alpha Capital Anstalt									1,513,789	1,514	152,893					154,406
4/16/18	New Issuance-Chase Financing Inc Profit Sh.							100,000	100	-	-	5,900					6,000
4/23/18	New Issuance-Alpha Capital Anstalt									1,039,571	1,040	104,997					106,036
5/11/18	New Issuance-LICGO Partners			420	-					-	-	-					-
5/11/18	New Issuance-Chase Financing Inc Profit Sh.							100,000	100	-	-	5,900					6,000
5/29/18	New Issuance-Alpha Capital Anstalt									1,985,374	1,985	200,523					202,508
5/29/18	New Issuance-Robert Herskowitz									1,550,000	1,550	156,550					158,100
6/11/18	New Issuance-Chase Financing Inc Profit Sh.							(75,000)	(75)	1,050,000	1,050	(975)					-
	Immaterial reconciling items							14,300	14	10,000	-	(14)					-
	Net loss															*(558,030)*	*(558,030)*
BALANCE, JUNE 30, 2018		*1,000*	*2*	*6,893*	*6*	*40*	*-*	*882,540*	*882*	*126,643,110*	*126,434*	*47,612,968*	*1,411*	*(82,250)*	*(321,344)*	*(45,488,593)*	*1,849,516*
7/3/18	New Issuance-Alpha Capital Anstalt									1,520,646	1,521	153,585					155,106
7/30/18	New Issuance-Navesink Device Initiatives			(125)	-					625,000	625	(625)					-
7/30/18	New Issuance-Navesink Device Initiatives			(125)	-					625,000	625	(625)					-
7/31/18	New Issuance-LICGO Partners			710	1					-	-	-					1
7/31/18	New Issuance-Sovereign Partners LLC			105	-					-	-	-					-
7/31/18	New Issuance-Navesink Device Initiatives					50	-			-	-	-					-
7/31/18	New Issuance-Paradigm Capital					10	-			-	-	-					-
7/31/18	New Issuance-Chase Financing Inc Profit Sh.							200,000	200	-	-	7,800					8,000
8/23/18	New Issuance-Chase Financing Inc Profit Sh.							(35,000)	(35)	490,000	490	(455)					-
8/23/18	New Issuance-Chase Financing							(50,000)	(50)	700,000	700	(650)					-
8/27/18	New Issuance-Mark Herskowitz									816,326	816	82,449					83,265
	Net loss															*(735,369)*	*(735,369)*
BALANCE, SEPTEMBER 30, 2018		*1,000*	*2*	*7,458*	*7*	*100*	*-*	*997,540*	*997*	*131,420,082*	*131,210*	*47,854,447*	*1,411*	*(82,250)*	*(321,344)*	*(46,223,962)*	*1,360,519*
10/9/18	New Issuance-Alpha Capital Anstalt									1,031,758	1,032	104,208					105,239
11/26/18	New Issuance-Chase Financing Inc Profit Sh.							(50,000)	(50)	700,000	700	(650)					-
11/26/18	New Issuance-Chase Financing Inc Profit Sh.							(100,000)	(100)	1,400,000	1,400	(1,300)					-
	Rounding adjustment										1						(1)
	Net loss															*(373,667)*	*(373,667)*
BALANCE, DECEMBER 31, 2018		*1,000*	*2*	*7,458*	*7*	*100*	*-*	*847,540*	*847*	*134,551,840*	*134,343*	*47,956,705*	*1,411*	*(82,250)*	*(321,344)*	*(46,597,628)*	*1,092,091*

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

	Years ended December 31,	
	2018	**2017**
Cash flows from operating activities		
Net loss	$ (2,240,220)	$ (2,991,404)
Adjustments to reconcile net loss to		
net cash (used) by operating activities:		
Amortization of prepaid legal fees	750,000	750,000
Shares and options issued for services	-	21,400
Options issued for employee compensation	-	36,000
Shares issued for financing fees	195,876	149,915
Loss on write-down of obsolete inventory		98,221
Non-cash portion of loss on terminated contract		83,472
Changes in operating assets and liabilities		
Accounts receivable	(511,893)	99,227
Inventory	65,943	(7,417)
Prepaid and other assets	2,425	2,582
Accounts payable and accrued liabilities	224,715	(1,086)
Accrued interest	190,210	200,172
Net cash (used) by operating activities	(1,322,946)	(1,558,918)
Cash flows from investing activities		
Fixed assets	(75,000)	(64,890)
Intellectual property	(15,300)	(49,745)
Net cash (used) by investing activities	(90,300)	(114,635)
Cash flows from financing activities		
Proceeds from notes payable	683,242	985,455
Shares issued and options exercised for cash	-	425,000
Net cash provided by financing activities	683,242	1,410,455
Net decrease in cash	(730,004)	(263,099)
Cash - beginning	1,088,761	1,351,860
Cash - ending	$ 358,757	$ 1,088,761
Supplemental disclosures:		
Interest paid	$ -	$ -
Income taxes paid	$ 70	$ 2,400
Non-cash transactions:		
Shares and options issued for services	$ -	$ 21,400
Options issued for compensation	$ -	$ 36,000
Shares issued for financing activities	$ 195,876	$ 149,915
Shares issued for debt and derivative liabilities	$ 1,496,827	$ 1,639,823

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

DECISION DIAGNOSTICS CORP.

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 of 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 of 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 that 1:14 reverse split.

Principles of Consolidation

The financial statements include those of: Decision Diagnostics Corp. ("Decision Diagnostics"); and nearly wholly owned (99.93%) 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, 2018 and 2017, 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, 2018 and 2017.

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, 2018 we had a balance of $300,000 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. Healthcare, particularly the medical device products, are primarily paid for by Medicare, and large health insurers. Payments, particularly in several regional areas, are "slow pay." This tends to trickle to all levels of retail, sales and distribution networks, and is taken into account by the Company.

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, 2018 and 2017, 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 have 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 reasonably assured. 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 $32,984 and $37,965 were included in general and administrative expenses as of December 31, 2018 and 2017, respectively. Television, radio and other media advertising has been treated as professional expense since the Company places its television, radio and social media ads through licensed advertising aggregators.

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, 2018 and 2017, we have accrued contingent legal fees and product liability fees totaling $485,069, 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, 2018 and 2017. 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, 2018 and 2017.

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 noncurrent depending on the periods in which the temporary differences are expected to reverse.

Concentrations

In 2018, three customers accounted for approximately 95% of net sales compared to three customers accounting for approximately 95% of net sales in 2017. However, it should be noted that all three of the Company's largest customers make their online sales through Amazon, Walmart, Sears, Jet.com ("marketplaces") and at least 1000 other online sellers and aggregators. These customers use the distribution services and resources of the marketplaces.

Historically, the Company's operations require maintaining strategic relationships with customers to ensure delivery of product and services directly to the patient base, and a maintaining a series of strategic partnerships with licensed pharmacies to accept assignment of insurance benefit to ensure the billing and future servicing of these patients. We also maintain relationships with the entities where the patients reside. As of December 31, 2018 and 2017, 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.

Reclassifications

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

Recent Accounting Pronouncements

Management has analyzed all pronouncements issued during the year ended December 31, 2018 by the FASB or other authoritative accounting standards groups with future effective dates, and have determined that they are not applicable or are not expected to be significant to the financial statements of the Company.

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

Year-end

We have adopted December 31 as our fiscal year end.

NOTE 2 – Going Concern

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

NOTE 3 – Fair Value

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

We comply with the provisions of ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements required under other accounting pronouncements. ASC 820-10-35, "Fair Value Measurements and Disclosures - Subsequent Measurement" ("ASC 820-10-35"), clarifies that fair value is an exit price, representing the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820-10-35 also requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best information available. Assumptions include the risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model. The Company also follows ASC 825 "Interim Disclosures about Fair Value of Financial Instruments", to expand required disclosures.

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

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

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

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

We utilize the best available information in measuring fair value. The following table summarizes, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as of December 31, 2018:

	FYE 2018 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Intellectual property	$ -	$ -	$ 1,718,000	$ 1,718,000
Liabilities	-	-	-	-
Notes payable	-	(1,530,680)	-	(1,530,680)
Total	$ -	$ (1,530,680)	$ 1,718,000	$ 187,320

NOTE 4 – Equipment – Specialty Manufacturing Instruments

On June 1, 2015, we entered into a wide-ranging manufacturing and product development agreement with a large venture funded Korean concern. On July 8, 2015, we enhanced the role of the Korean concern in this agreement through the purchase of, and investment in, computer controlled, specialty manufacturing equipment for our GenUltimate! products that is now located in the Korean facility of the Company's R&D and contract manufacturing partner. In the summer of 2016 we augmented this equipment by adding additional equipment capable of manufacturing our GenChoice! (in FDA review), GenAccord! (in development) and GenCambre! (in development) and their off-shoot products for our PetSure! and GenUltimate! 4Pets products for animal testing use. We anticipate making additional investments for meter production for our GenUltimate! 4Pets and GenUltimate! TBG (in development) products. These newer (additional) products use different molds and chemical processes.

During the quarter ended March 31, 2017, we acquired $64,890 in fixed assets pursuant to the manufacturing and product development agreement dated June 1, 2015. We expensed an additional $380,000 for the development of our GenChoice! product which will make use of the Specialty Manufacturing equipment located in Korea. We continue to incur great expense due to development of our GenChoice! and GenUltimate! TBG products during the year ending December 31, 2018.

NOTE 5 – Patents

During the years ended December 31, 2018 and 2017, we amortized formerly capitalized attorney fees related to the continued development and perfection of our patents totaling $750,000, respectively. We did not amortize any intellectual property or patents during the years ended December 31, 2018 and 2017.

NOTE 6 – Acquisition of Certain Properties

In March 2014, we agreed to acquire certain properties from Shasta Technologies LLC. The agreement covering this acquisition is now the subject of two litigations, one litigation in California Superior Court and the other in the

Pennsylvania Common Pleas court, both related to the damages the company is trying to collect from Shasta Technologies LLC owing to Shasta's subsequent undisclosed issues with the U.S. FDA.

The litigation in Pennsylvania was brought against Shasta and the company's former contract manufacturer, Conductive Technologies, Inc. for illegally embargoing the company's product in 2015 and 2016. On December 31, 2018 the company was granted a judgment against Shasta for $3.6 million. The company is now engaged in enforcing this judgment in Minnesota, Oregon and California. The litigation in the California Superior Court is currently stayed.

The original purchase price for this property was expected to be $2,000,000 (cash). The company is anticipating offsets much higher than the assets purchase price. The company also is currently enforcing its $3.6 million judgment against Shasta in four states, Pennsylvania, California, Oregon and Minnesota. We have not yet recorded this acquisition on our books because the acquisition terms have not yet been fully determined and the final acquisition price will be determined by the California Superior Court. We did register this FDA cleared product under our FDA Establishment registration (with the US FDA) in 2014, 2015, 2016, 2017, 2018 and 2019. In September 2016, we became fully compliant with the newly implemented FDA UDI product identification initiative.

NOTE 7 – Notes Payable

We owe our noteholders a combined total of $1,530,680 plus accrued interest of $48,462. 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 15,481,784 shares of common stock.

We have recorded interest and financing expense in connection with our notes payable totaling $190,210 and $200,172 for the years ended December 31, 2018 and 2017, 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 1,250 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.

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 is 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.

2018 Issuances

Preferred

During the quarter ended December 31, 2018, holders of our preferred series “E” shares elected to convert 150,000 preferred series “E” shares into 2,100,000 shares of our $0.001 par value common stock.

During the quarter ended September 30, 2018, we issued 815 shares of preferred series “C” shares for financing costs valued at less than $1.

During the quarter ended September 30, 2018, we issued 60 shares of preferred series “D” shares for financing costs valued at less than $1.

During the quarter ended September 30, 2018, we issued 200,000 shares of preferred series “E” shares for financing costs valued at $8,000.

During the quarter ended September 30, 2018, holders of our preferred series “E” shares elected to convert 95,000 preferred series “E” shares into 1,190,000 shares of our $0.001 par value common stock.

During the quarter ended June 30, 2018, we issued 420 shares of preferred series “C” shares for financing costs valued at less than $1.

During the quarter ended June 30, 2018, we issued 200,000 shares of preferred series “E” shares for financing costs valued at $12,000.

During the quarter ended June 30, 2018, holders of our preferred series “E” shares elected to convert 75,000 preferred series “E” shares into 1,050,000 shares of our $0.001 par value common stock.

During the quarter ended March 31, 2018, we issued 100,000 shares of preferred series “E” shares for services valued at $6,000.

During the quarter ended March 31, 2018, holders of our preferred series “E” shares elected to convert 170,000 preferred series “E” shares into 2,380,000 shares of our $0.001 par value common stock.

Common

During the quarter ended December 31, 2018, we issued 1,031,758 shares of $0.001 par value common stock for conversion of debt and accrued interest totaling $105,239.

During the quarter ended September 30, 2018, we issued 1,520,646 shares of $0.001 par value common stock for conversion of debt and accrued interest totaling $155,106.

During the quarter ended September 30, 2018, we issued 816,326 shares of $0.001 par value common stock for financing costs of $83,265.

During the quarter ended June 30, 2018, we issued 6,088,734 shares of $0.001 par value common stock for conversion of debt and accrued interest totaling $621,051.

During the quarter ended June 30, 2018, we issued 849,123 shares of $0.001 par value common stock for financing costs of $86,611.

During the quarter ended March 31, 2018, we issued 6,033,643 shares of $0.001 par value common stock for conversion of debt and accrued interest totaling $615,432.

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.

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.

NOTE 9 – Stock options

2017 Stock Option Plan

During the quarter ended March 31, 2017, we adopted the “2017” Executive and Key Man/Woman Stock Option Plan and granted incentive and nonqualified stock options with rights to purchase 450,000 shares of $0.001 par value common stock at the strike price of $.08 per share. As of December 31, 2018, 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, 2017	8,600,000	$ 0.10
Options granted	450,000	.08
Options cancelled	-	-
Options exercised	-	-
Balance, December 31, 2017	9,050,000	$ 0.10
Balance, January 1, 2018	9,050,000	$ 0.10
Options granted	-	-
Options cancelled	-	-
Options exercised	-	-
Balance, December 31, 2018	9,050,000	$ 0.10

NOTE 10 – Warrants

The following is a summary of activity of outstanding warrants:

	Number of Shares	Weighted Average Exercise Price
Balance, January 1, 2017	2,603,143	$ 0.56
Warrants granted	-	-
Warrants cancelled	-	-
Warrants exercised	-	-
Balance, December 31, 2017	2,603,143	$ 0.56
Balance, January 1, 2018	2,603,143	$ 0.56
Warrants granted	-	-
Warrants cancelled	-	-
Warrants exercised	-	-
Balance, December 31, 2018	2,603,143	$ 0.56

NOTE 11 – Commitments and Contingencies

Contingencies and Litigation

We transact commerce in several medical products market channels. We also transact commerce by licensing our proprietary medical software that functions by moving confidential medical data through our proprietary medical information technology devices and networks. Our GenStrip 50 and GenUltimate! products required initial regulatory approval by the US FDA as well as on-going US FDA approvals during the product life cycle and are subject to new FDA regulation and post market overview. In 2016, we had to meet new FDA Guidelines for product identification, tracking and standardization. Our new GenChoice! and GenUltimate! TBG and the later upcoming GenAccord! and GenCambre! products will follow the same pathway with the U.S. FDA. The FDA calls its new product identification program, the UDI initiative, and the new packaging required, and met by us, approximates a similar standard implemented in the European Union in 2013, and then adopted in other countries, like Korea for example. We are now filing for approvals in the EU after having received certain approvals in Central and South America.

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

Although our employee turnover is small, we have been targets, like many California companies, under the environment created by the current “Me Too” movement. It is very difficult to terminate an employee, even when there is solid evidence of wrong doing. The company protects itself from claims by former employees by maintaining ample employment practices insurance policies.

The medical industry is also intertwined. From time to time, we have become involved in claims and litigation that arise out of the normal course of our business, such as litigation that emerges from disputes with a former employee over employment practices, but also directly over our business operations such as damaged, missing or contaminated product, payment disputes both as a seller and a buyer, and litigation that arises over claims of fair value. We have also had to defend trade dress claims filed solely because of the cost to defend these claims, real or not. For instance, we have been sued in several jurisdictions over a single business transaction. Often these cases involve substantial over-prosecution where we have been held accountable by Plaintiffs for a myriad of things including words written or posted in public forums by anonymous persons.

We may also become involved in disputes that arise over the business or business practices of our suppliers, payers and customers, people or entities that we may not be familiar with. We maintain substantial insurance coverage against suits that may arise over issues of damaged, recalled or counterfeit product and other product liability issues. We have also been a victim of the unapproved acts of prior management. These acts have resulted in claims from individuals and entities since the Board relieved former management of duty in 2006. Nonetheless, these claims have resulted in the use of management time and company resources to investigate, litigate, or settle. In addition, we accrue contingent legal fees and product liability fees. As of December 31, 2018, our contingent legal fees accrual was $240,000 and our general contingencies accrual was $245,069. Contingencies total $485,069 and are reflected herein.

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

Leases

We currently maintain an executive office at 2660 Townsgate Road, Suite 300, Westlake Village, CA 91361. The space consists of approximately 2,300 square feet. The monthly rental for the space is $2,170 per month on a month-to-month basis. We also maintain space in a public warehouse in Miami, FL, a business that also serves as our import

and expert agent and customs broker, and we are granted space indirectly in Seoul, South Korea, manned by our exclusive agent who maintains quality control and quality assurance and oversight of our contract manufacturer(s), and for the completion of necessary clinical trials.

Rent expense totaled $26,040 and $26,040 for the years ended December 31, 2018 and 2017, respectively.

NOTE 12 – Subsequent events

In accordance with ASC 855, management evaluated all of our activities through the issue date of the financial statements and concluded that other than those events listed below, no other material subsequent events have occurred that would require recognition or disclosure in the financial statements.

In March 2019 the company closed a debt transaction in the amount of $250,000 with its principal lender Alpha Capital Anstalt ("Alpha"). The debt instrument, a Promissory Note, comes to term in 90 days. The company anticipates paying off the Note at term, or borrowing the monies again, or borrowing these and additional monies from Alpha.

In March 2019 the company's R&D partner in Korea reported that our GenUltimate! TBG product had proven its feasibility and would enter advanced testing during the last week in March 2019 in anticipation of a May 1, 2019 beginning of clinical trials.

In March 2019 the company announced the hiring of PARAGON Marketing and Sales, Inc., a nationwide retail accounts sales and management firm. The company has assigned several high worth "big box" retail accounts to PARAGON, including Walmart Stores, CVS Pharmacies, Walgreens Pharmacies, Cardinal Health (Wholesale). McKesson (private label brands), Kroger and others.

In late February 2019 the company launched its newest pet testing product, GenUltimate 4Pets, the company's first meter and test strip combination. The GenUltimate 4Pets Avantage meter and the test strips are proprietary to the company and practice the art as more fully described in the company's patents.

At the close of the Federal government shutdown in January 2019, the company was notified by the U.S. FDA that its application for 510K clearance of its GenChoice product had been accepted. During February 2019 the FDA sent its first letter requesting additional information. Early in March 2019 the company was notified that its application had passed its initial review stage and was set for team detailed review.

It is our practice to discuss all subsequent events in greater detail our Managements' Discussion and Analysis documents and filings.

Error Repair

Despite written commentary to the contrary, the company will endeavor to repair any and all errors that appear in this document, that any new sets of eyes spot after its posting, whether these errors are in spelling, grammatical, punctuational or numeric. We are not perfect and neither are the people who point our errors out to us.