



Decision Diagnostics Corp.

**QUARTERLY REPORT FOR OTC PINK
Management's Discussion & Analysis
Report for Quarter Ended
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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

Decision Diagnostics Corp. is a worldwide prescription and non-prescription diagnostics and home testing products distributor and the manufacturer of the and GenUltimate! glucose test strip and the Genstrip 50 (discontinued in November 2016), both Class II medical devices for at-home use for the measurement of glucose. The company also has its GenSure! glucose test strip, the second of its six products, designed for off-shore sales. GenSure! is complete and thoroughly tested, and available for sale, but will primarily be sold as an International private label market entry in the coming months. While the GenUltimate! test strip enjoys wide distribution primarily domestically, the GenSure! test strip will initially be sold by an exclusive distributor in Mexico to a "big box" client who owns or controls a large percentage of Mexican pharmacies and convenience stores. This "big box" also has stores in several South American countries. GenSure! requires a Mexican government registration process which was undertaken by the company's distributor beginning in July 2018. Mexico and India provide the best outlets for the sale on GenSure! test strips and to a lesser extent, GenSure! meters.

The company's GenChoice! glucose test strip is in patient clinical trials in Korea. The trials are going very well and would have been completed by the end of July 2018 had the religious hospital, the host of the trials, not become the subject of a July 2018 medical workers strike. Clinical trials are managed by credentialed third party researchers (the IRB). In this case the IRB was willing to complete the clinicals, but the sponsoring church is recognizing the worker's strike. The company's GenPrecis! test strip and Precise meter, the next of the company's products to undergo clinical trials testing, has passed through its advanced development, is concept proven, and will enter independent third party testing and live patient testing (clinical trials) in 3Q 2018. There will be additional discussions of the GenSure! and GenPrecis! products later in this document.

As an off-shore product, GenSure! is currently undergoing the medical device registration process in Mexico. The GenSure! clinical trials were completed in 4Q 2017 and the product was launched in 4Q 2017. We have engaged an exclusive distributor for GenSure! for the Mexican market, a market that should go "hand in glove" for GenSure! since there are several hundred thousand Mexicans using the legacy meter that GenSure! operates with. GenSure! employs a value proposition based on its less expensive price vs. the legacy products. We have also identified International distributors for GenSure!, most recently in India.

At the conclusion of the respective clinical trials, the GenChoice! and GenPrecis! products will be registered in the EU (both meet the enhanced ISO 2015 standards) and applications for 510K pre-market will be filed with the FDA. The company has contracted with the expert organization that will write the 510K documents and prosecute these documents with FDA staff, along with the company. The draft of the 510K for the GenChoice product has already begun.

The cost of the development, advanced development, independent third party testing, patient testing (clinicals) and the pre-market 510K registration process is approximately \$1,250,000 per product. New products development is an extensive and expensive undertaking and requires exquisite planning and implementation, made more complex by the distances involved. The company employs its own U.S. based experts who approve, along with the company, the product development plans and then oversee the implementation of these plans. The company will have five of these product development expenditures in 2018 and 2019. Where possible, the company arranges fixed bids for contract services. These test strip products are not "just paper" as more than a handful of company shareholders have argued.

In the late 2Q 2018 the company moved into the growing pet (dog and cat) testing markets. The company made several changes to its GenChoice! product to address the pet testing market. The new pet testing product is called PetSure! PetSure!, was developed, tested and brought to market in less than 90 days. PetSure! operates on the pet testing industry's legacy meter and has been on sale since July 31, 2018. Initial sales have been very encouraging. Media advertising for the PetSure! product will begin on August 15, 2018. The second product the company is bringing to the market in 4Q 2018 is its PetUltimate! test strip and meter. PetUltimate! will also be based on an existing company technology. The company's plan for the pet testing market is to offer a test strip solution for the leading meter in use, and also to offer a proprietary system (meter and strip) for the retail markets.

The U.S. FDA, in a manner similar to prescription drugs, regulates diagnostic test kits and at-home patient testing products like the company's test strip and meters in a similar but somewhat streamlined process, to the regulation of prescription medicine. The regulatory standard used for the Genstrip 50 was the 510k pre-market and post-market processes. The same process will be used for the GenChoice! and GenPrecis! products beginning with the 510k approval with the FDA during the latter part of 2018. Both the GenChoice! and GenPrecis! products will be sold internationally while the U.S. FDA 510k applications are pending. That is a recent trend for newer glucose testing products and devices.

Previous to this change in business model, from 2005 and until 2013, the company contracted with independent pharmacies for use of their prescription drug distribution licenses. At that time the company made market and sold brand name over the counter pharmaceutical items with a concentration in legacy diabetic test strips. The brand name products we distributed, for the most part, did not require a doctor's prescription for anything other than insurance benefit compliance. Our previous business model worked well in the previous regulated environment, although the financial benefits were stressed by major changes made to the Federal Medicare plan that have led to substantially lower rates of reimbursement and ultimately an unprofitable business model.

Our Current Business Foundation

Our subsidiaries, Pharma Tech Solutions, Inc., PDA Services, Inc. and PharmaTech Sensor Development Corp. operate in several healthcare products channels. In addition our subsidiary Decision IT Corp. engages in the acquisition and holding of Intellectual Property including Patents and Trademarks and specialty manufacturing equipment acquired for our Korean contract manufacturer of our GenUltimate! and our in development GenSure! GenPrecis! and GenChoice! products. Our newest subsidiary Pharmatech Sensor Development Corp. manages our investment in specialty manufacturing machinery and testing laboratories, as well as an inventory credit line to finance inventory purchases of our test strip and meter products. This credit line will be expanded for the management of our GenChoice! and GenPrecis! products in 2018. The company has discontinued its GenStrip 50 product and ended the selling of the last of the inventory in November 2016.

In March 2017 the company was approached by its Korean partner, The Bio Co., Ltd to design and fund a new product which the company calls GenPrecis!. This product represents a major improvement in diabetic glucose monitoring. The GenPrecis! system will be the first of its kind +/- 9% system. Current ISO (2015) and FDA (2014) guidelines call for glucose monitoring systems to meet a +/- 15% standard, whereby the meter and strip must be within +/- 15% of a reference method in repeated samplings 95% of the time. GenUltimate! and GenChoice! are +/- 15% test strips, but in each case 97+% of the time in repeated samplings. GenPrecis! is designed to meet the written standards of the ISO and FDA at +/- 9%, 97% of the time – effectively setting a new standard. The company has been funding the development of this system product since 2017, as well as a test strip only derivative version for use with two legacy meters sold only overseas. The GenPrecis! system product is ready for testing and will begin tests as soon as the final independent testing on the GenChoice! product is complete later in August 2018. The natural market for this product will be the U.S, and Canada where precision standards are higher for new products. The company plans two types of meter for the GenPrecis! product, a meter for middle-school and high school aged children (Type I diabetics) and a legacy commercial meter.



As of this writing, neither GenSure! nor GenPrecis! is available for sale or distribution in the U.S. or Puerto Rico.

From time to time, when economic conditions warrant and given market conditions, we distribute other brand name prescription and non-prescription diagnostics products, as well as several lines of ostomy, wound care and post-surgery medical products, although these healthcare channels have also undergone two major market changes and disruptions since July 2013 and we have determined that we will maintain our contacts but in 2017 we refrained from competing. Our main product was the GenStrip 50 and its successor brand the GenUltimate!, both of improved performance and component design improvements and a rebranding and development (from scratch) of the original Shasta Technologies GenStrip. In the case of all of the company's products the company owns and manages the product design specifications, the product historical design file and the PDR. The company's current plans include only the design and manufacture of its own products. In the future we may also import finished products from overseas companies in need of a U.S. marketing presence. We maintain an FDA registered contract manufacturer in South Korea. We ended our association with the contract manufacturer in Pennsylvania in 2017.

The original GenStrip, our first product, was cleared for market by the FDA on November 30, 2012. By virtue of our written agreements with Shasta Technologies in 2011, we were granted an irrevocable license to prosecute their 510k application with the U.S. FDA, and we succeeded. This was no small feat. We introduced the original GenStrip in March 2013. We then acquired GenStrip from Shasta Technologies LLC on March 20, 2014 and in late June 2014 we made the first branding changes. We began work on the GenUltimate! product in July 2015 and introduced this improved test strip (vs. our GenStrip) in April 2016. The original Shasta GenStrip and our GenStrip 50 have been discontinued.

Historical Construct

Shasta Technologies LLC, the original specifications provider of GenStrip, had an extremely difficult relationship with the US FDA and was the subject of a detailed and damning FDA (Enforcement) Warning Letter on April 8, 2014, and when they refused to respond to this Warning Letter, the FDA then broadcast a worldwide Safety Notice on April 29, 2014, the FDA version of the Death Penalty. This second letter effectively ended Shasta's ability to be a product design specifier and manufacturer, due to a total lack of regulatory adherence in the highly regulated medical device industry. It is confusing to consider what Shasta could have possibly been thinking. The company's acquisition of GenStrip (now GenUltimate!) was fortuitous in its timing given the finality and outcome of Shasta Technologies' fatal troubles with the FDA.

The worldwide market for at-home blood glucose testing is an estimated \$17.2 billion, inclusive of the 2013 and 2016 changes to the Federal Medicare programs which gutted almost one-third of the U.S. market. The current GenUltimate! competes directly with one of the largest worldwide platform manufacturers the venerable Johnson & Johnson (Lifescan Inc.). GenUltimate! (and the earlier GenStrip 50) were developed for use with the OneTouch Ultra legacy system for at-home blood glucose testing, a system currently used daily by over 3 million diabetes afflicted Americans and 5.8 million diabetics world-wide. GenUltimate! competes in the overall at-home testing market by offering an economical solution to former users of the legacy platform provider's product. The company's GenUltimate! product, designed to meet new European Union standards is a much improved version. That being said, the legacy product that GenUltimate! competes with is in decline. Our business model is unique to this market channel as our major business focus is directed toward diabetics who have attempted a change of their glucose monitoring platforms (systems) or those currently using the J&J legacy products but are dealing with escalating prices and lower insurance reimbursements, and frankly better competitive meters. At the time of the introduction of GenStrip in March 2013, J&J controlled just under 30% of this market and 100% of its own Lifescan, Inc. OneTouch Ultra market.

Throughout 2012 in anticipation of the introduction of GenStrip, we evaluated our brand-name distribution model, a model that provided streams of revenue but extremely low profit margins, and over the course of the last 30 months we phased out sales of those brand name products that had been a backbone of our distribution business. In addition the brand name products distribution business created a situation where we had been distributing legacy products that competed directly with our GenUltimate! Phasing out these brand name products lowered our order (revenues) intake but allowed us to become a manufacturer, at a higher level in the greater market channel.

The company will continue to direct its marketing efforts to ambulatory and semi-ambulatory older Americans afflicted with diabetes and complications caused by diabetes and old age.

We began our transition into these medical products channels on November 1, 2011 when we completed the acquisition of Diagnostic Newco LLC from its owner Kimberly Binder. Diagnostic Newco LLC was a design company that specialized in product packaging design, medical products advertising design and graphic art. Ms. Binder joined the staff of the company's Pharma Tech Solutions, Inc. subsidiary specifically for these purposes, and has worked closely with our contract manufacturers for GenUltimate!, making subtle changes to packaging design and more recently integrating new package design with the new FDA UDI product identification data system, among other responsibilities. Ms. Binder is also responsible for the package design for new diagnostic products the company is currently working on, including the GenSure! and the upcoming GenChoice! and GenPrecis! products. All of the company's products will require packaging for domestic sales, International sales, and hybrid private label sales to the "big box." Ms. Binder is also owner of Genstrip Direct LLC and Full Circle Diabetes LLC, her own distribution companies, which she operates independently from her (Decision Diagnostics Corp. and Pharma Tech Solutions, Inc.) company related responsibilities.

We also intend to acquire additional private companies, or partner with small engineering companies that have developed technology requiring either regulatory approval, distribution expertise or both. We are moving quickly to achieve our goal of becoming a vertically integrated, full service value added provider of products and services to an ever-growing market. The at-home diabetes testing market continues to grow as diabetics continue to be diagnosed and treated. The market for diabetes testing products is already in the tens of billions of dollars continues to grow rapidly. We also intend to make additional capital investment later in 2018-2019 in our Korean contract manufacturer and advanced development partner for the manufacture of GenPrecis! and two new products GenAccord! and GenCambre!, both products that will compete with existing legacy products not previously mentioned.

The company's current proprietary product offering, cleared by the FDA for commercial distribution on November 30, 2012, and now in its later branded version, the GenUltimate! blood glucose diagnostic test strip for at-home testing. Genstrip, the original product, is a product originally conceived by Shasta Technologies LLC, who proved incapable of attaining the necessary regulatory approvals after two attempts, 2009 and 2010/2011. In addition the original Shasta concept could not clear the FDA 510K process on the basis of performance when tested on human subjects, and had to undergo major design changes and a new 510K application that was eventually sponsored by us. The original Shasta product was acquired by our Pharma Tech subsidiary on March 20, 2014, and fits into a diagnostic product niche, fitting nicely into the world-wide self-test (home test) market that has been growing at a 15% annual rate. Since GenUltimate! is a rather unique product offering, employing a brand name razor blade only model (diagnostic test strip) into a razor (diagnostic meter) -- razor blade (diagnostic test strip) market, the Genstrip 510(k) application made for unusual challenges for the FDA and an educational challenge and opportunity for the company. In fact, the company only recently (March 15, 2016) concluded its dealings with the FDA pre and post market review staff, an on-going process that was begun on a sour note by Shasta in October 2009. The company believes that upcoming product offerings such as the GenChoice! and GenPrecis! products, will also be regulated by the FDA but will go through a much smoother review and comment process, particularly since receipt of a directed landmark ruling by the U.S. FDA, covering our third party developed diagnostics (developed, in development and to be developed). Since the company plans additional similar products in the future designed to work on other diagnostic platforms, in fact a product announced still in the current reporting year, the Genstrip/GenUltimate! experience, however slow and unresponsive it was, has provided lessons and experience which is already being put to use.

Until our receipt of the landmark March 2016 ruling from the FDA, two years (and growing) was a standard development to market timeline for in-vitro diagnostic products similar to Genstrip / GenUltimate! In fact the long review periods and stifling performance standards established have contributed to a large decline in new products offerings across the entire industry since 2014. Nonetheless, we are confident that our new products will enjoy a much speedier FDA review process. As a result of previous delays and failures by Shasta Technologies in completing its own FDA 510k approval application, and then problems Shasta encountered in prosecuting its two original applications with FDA staff, the company changed its contractual responsibilities and obligations with Shasta. Further (eventually fatal) on-going problems encountered by Shasta, which on their face proved irresolvable, presented the company with an opportunity that we seized. On March 20, 2014 our Pharma Tech Solutions, Inc. subsidiary acquired the intellectual property, the marks, and the GenStrip cleared 510(k). Subsequently we accomplished a rebranding of the original Genstrip product (as GenUltimate!), built manufacturing protocols, implemented a robust Quality System throughout 2014 and 2015, and then developed the improved GenUltimate!

product. GenUltimate! has become the only version of the original Genstrip line that will be packaged to conform with the FDA UDI standards, and was released as UDI compliant as of September 24, 2016. Manufacturing of Genstrip 50 ended and on-going sales continued under the GenUltimate! brand, and includes the FDA UDI packaging.

In June 2010 the company was approached by the largest retailer in the world for the distribution and sale of the Genstrip product, then about to enter the 510k regulatory review process, at over 5,000 retail stores worldwide. A contract with this retailer was negotiated in September 2010 and subsequently renegotiated and renewed in April 2011, and as soon as the retail contract was agreed to and as a means to conduct market research, the company began seeking pre-conditioned letters of intent (pre-orders) for Genstrip, while continuing the prosecution of the 510(k) application on behalf of Shasta Technologies before the FDA. Discussions with this retailer and other similarly situated retailers were placed in a litigation induced hiatus since our litigation with Lifescan, Inc. took a nasty turn. Lifescan Inc., the diabetes testing division of Johnson & Johnson sued the company in three separate suits, all in Federal court, beginning in September 2011. These suits proved costly in that their intended purpose was to keep the Genstrip product off of retail market shelves. Until these suits were settled in May 2016, the company's marketing abilities were severely limited. The company believes there will be additional limitations as long as Johnson & Johnson spends large sums to discredit the company and its products. However, it should be noted that Johnson & Johnson announced in January 2018 that their entire diabetic business (three divisions, multiple products) had been put up for sale, and offers for some or all of their businesses had been received. An offer was accepted by J&J in June 2018 and the sale of the Lifescan, Inc. division is proceeding to a Definitive Agreement. The sale of their Lifescan business, when it occurs, should change the diabetic testing field to a great degree, and in our opinion should bring more positive views of our company in an industry that we have been competing in for six years.

The settlements we did achieve with J&J provided a hard-fought victory for the company, particularly since in 2015 our erstwhile former partner Shasta Technologies had admitted to patent infringements of all three J&J diabetic medical device patents that were being adjudicated. Shasta's admissions were shockers. We settled these lawsuits in a novel manner, where Johnson & Johnson paid the company a settlement amount, for lawsuits where the company was a defendant, a rarity in matters where the payor had initiated the strike suit in the first place. J&J, as a part of the settlement, also granted the company licenses to three J&J patents (including one patent that J&J subsequently lost through final action by the US Supreme Court), the larger value gained from this 5-year legal battle. In March 2016, prior to its settlement, the company's Pharma Tech Solutions, Inc. and Decision IT Corp. subsidiaries brought suit against Lifescan, Inc. in Nevada Federal court for patent infringement, the company alleging that Lifescan, Inc.'s OneTouch Ultra product was and had been infringing both of the company's patents. In March 2017, after a protracted battle with J&J where they tried to invalidate the company's lawsuit, the court in a major ruling agreed that the company will be allowed to move forward (a major victory so early in the suit) and will also be allowed to allege the Doctrine of Equivalents, a legal doctrine that would preclude J&J from twisting words through its pleadings and expert reports to escape justice. In April 2017 the company amended its original suit to include allegations under the Doctrine of Equivalents. That suit is still subject to legal wrangling with a milestone ruling from the trial judge still due. In August 2018 the company filed a letter with the court and specifically the trial judge requesting an immediate ruling.

“The doctrine of equivalents is a legal rule in many (but not all) of the world's patent systems that allows a court to hold a party liable for patent infringement even though the infringing device or process does not fall within the literal scope of a patent claim, but nevertheless is equivalent to the claimed invention(s).”

Further, in January 2016 the US Supreme Court ruled that the Doctrine of Laches, a defense used by many Defendants in patent infringement suits could no longer be used. This ruling further deprived J&J of one of its most important defenses against the company's current patent infringement claims. The company remains optimistic that we will prevail in this lawsuit seeking compensation from J&J for patent related damages or in its stead, a fair settlement.

The Current Business

Currently the diabetes testing market is dominated by four large pharmaceutical manufacturers who provide very similar and equally focused products, selling at essentially equal prices. Genstrip's original

introduction, even with the fits and starts, employed a business model different than those models employed by the major market players. Recent successes in the on-line marketplace has allowed the company to alter the market dynamics, lowering average price (which has occurred) or allowing for increased testing by diabetics for a lesser price, thereby affecting all market segments. The company's major current market focus is to pharmacy chains, grocery chains with in-store pharmacies, large all purpose retailers with in-store pharmacies, and group buying and chain pharmacy organizations. Although this has been part of the company's plans in the recent past, the difficult litigation with Johnson & Johnson as well as the advent of the July 2013 and July 2016 changes to Medicare reimbursement (and followed by private insurers) and the October 2016 reimbursement engineering, pharmacy business models are now blurred. Thus the company successfully added on-line sales to its business model.

The company has also implemented a very successful "direct to diabetic" business model and has (independently or along with our distributors) executed on-line agreements with several of the largest retail chains, diabetic supply co-operatives, group purchasing organizations, as well as on-line mass merchandisers such as Amazon.com, Ebay, Walmart, Sears, Jet.com and approximately 900 other on-line cooperatives and product aggregators. The company considers this rapid adoption to be a huge success gained in a very short period of time.

In June 2017 we were notified by Amazon.com, the largest retail portal for our products where we sell approximately 20,000 boxes of GenUltimate per month, that the listings for our products had been "hacked" by ghost sellers -- individuals and people who listed our products, accepted orders and cash money from diabetics, but were unknown to the company. Oftentimes product was never delivered to the diabetic even after receipt of payment. This practice called freeloading (by Amazon) is not rare, but once started it is difficult to eradicate. The company had to replace almost 5,000 units of GenUltimate as a result of the freeloading. Further, while freeloaders had a cost basis of zero, legitimate sellers and distributors were forced to compete with these zero cost sellers. Prices for GenUltimate plummeted and by October 2017 the product in its largest portal declined on average by 35%. In May 2018 the company implemented a Phase II Amazon strategy to cull certain sellers of our products from Amazon in an effort to further shore up prices for GenUltimate. This culling process has lowered the number of individual sellers from 26 to 7. Ghost sellers (sellers who sell, then acquire the product for delivery after receipt of monies from the diabetic) are immediately removed from Amazon. The immediate net effect of this process was a liquidation of GenUltimate product from barred sellers, which lowered new order intake for the remainder of Q2 and the early part of Q3. Thus current revenues are flat year to year, despite large growth in product demand, since almost 50% of the company's revenues for what amounts to a retail product come from Amazon re-sales.

With the assistance of Amazon, who themselves became a distributor of GenUltimate!, the company was able to overcome these issues, at least currently. With the assistance of Amazon we reordered our selling practice, implementing base (floor) pricing and implementing real-time policing of listings. Prices for GenUltimate! have recovered about one half of the decline. The company also eliminated many small distributors of GenUltimate! from the other portals by limiting product sales through our wholesalers to these entities. While these actions had the effect of lowering sales in 2Q 2018 (and perhaps 3Q 2018), our margins and our sales levels are recovering.

In March 2017 the company was contacted by the retail giant Walmart, who along with their acquired on-line retailer Jet.com, are attempting to duplicate and surpass the Amazon portal. Our GenUltimate! products have been sold on Walmart's (and Jet's) portals since November 2016. In the recent discussions Walmart offered us preferential listings on portals and Walmart Depot stocking at their regional transit facilities. GenUltimate! will now be sold by Walmart and shipments to diabetics will be fulfilled by Walmart. We accepted the offer and the first sales quarter under this new arrangement have been encouraging. In addition, customers who receive standing orders for their J&J Lifescan test strips will be a part of this new program. The company believes this to be a market enhancing deal since Walmart will become both a "push" and a "pull" retailer. No special pricing of our GenUltimate! pricing is required to implement this plan, owing, no doubt, to the footprint we have established on the on-line portals.

The company in the past has also offered information technology solutions in several medical care market channels by providing physicians with information at the point of care. Our products, unlike those from many other medical information companies, make use of smart cell phones such as the Apple iPhone, the Palm Pre, the Google Droid and a wide selection of Microsoft Windows based smart phones and operate in either in a wireless or "wired" mode, which allow physicians to carry, access and update their patients' histories, also known as electronic medical records or EMR, medication data, and best care guidelines - *all at the point of care*, or from any other location the

physician may be located. In addition, the company's products employ proprietary mathematical game theory features adapted by the company for medical use that allow acceptance of diagnoses and treatment protocols where the medical information may have originated from one or several locations and one time or several times. Since the advent of "Obamacare," promising products like our own struggled to gain market acceptance in a reimbursement challenged market. Now with the coming death of "Obamacare" the company cannot yet venture opinions or forecasts for its IT products. While we have kept up with the evolving regulatory changes, we do not foresee implementation of our products and networks in the near future.

In October 2014 we adopted a value added/private label business model to address the issues brought to our market by the radical reimbursement changes by the federal Medicare program. We also hired a market executive with over 40 years of experience to implement our new strategy. We have doubled down on this strategy and now employ not only the services of the aforementioned expert, but also several of his partners and colleagues including the professional who put together the industry's "big box" pharmacy private label plan for diabetic test strips in 2006.

In March 2016 we also retained a product source company called Retail Monster, to represent our products to large drug chains ("big box pharmacy"), large retailers, chain grocers and the like. Unfortunately the arrangement with Retail Monster did not succeed, primarily because a group of company shareholders, former shareholders, and persons claiming to be shareholders poisoned our relationship Retail Monster by advocating, during repeated calls, a "palace coup." After these incursions by shareholders and persons claiming to be shareholders, our relationship with Retail Monster remained cordial but destined to fail. The two companies decided to end the engagement on December 31, 2016. The efforts being expended in the "big-box" arena are greatly aided by the company's recent success with the explosively growing on-line Marketplaces, many sponsored by the large retail pharmacies and retail stores. These Marketplaces are fast growing sister organizations to these retailers, and typically not a part of legacy manufacturers marketing plans. The company's recent successes in the on-line Marketplaces has given the company a beachhead in this market as the uncertainty brought on by the J&J lawsuits has (finally) waned. In mid-March 2016 the largest US retailer agreed to raise the company's standing to the highest retail "rung" by offering a new supplier contract and in mid-March 2018 this retailer and its recently acquired wholesale products partner contacted the company and want to discuss a much enhanced relationship beginning in early April 2018.



Alltara *precis* is not yet available for sale or distribution in the United States or Puerto Rico.

Since March 2015 when we first we acquired special intellectual property and specialty manufacturing equipment which will shall serve our business interests now and into the future. We have increasingly turned to Alpha Capital Anstalt ("Alpha"), Navesink Device Initiatives, Sovereign Partners and Licgo Partners, whereby these organizations either purchased an 18-month 15% OID derivative instruments or Preferred C and/or D stock units, to facilitate the acquisition of intellectual property or manufacturing equipment, or to finance our growth. In 1Q, 2Q and 4Q 2016 and 2Q, 3Q and 4Q 2017 we completed additional financing transactions with both Alpha, Sovereign, and Licgo. Our most recent transactions with Alpha also financed an inventory credit line for the company so that we can meet many of the requirements of the largest retailers and maintain at least \$300,000 in stock on hand at any time. Alpha also financed our acquisition of new specialty manufacturing equipment to facilitate our contract manufacturer in Korea as they develop our new GenChoice! product. The company will again turn to Alpha in

April as we finance the completion of our GenPrecis! product. As discussed earlier in this report, the company has a total of five new products it has or needs to bring to market in 2018-2019. We believe that our current financing endeavors with the above named groups can facilitate these product marketing introductions.

On August 1, 2018 the company filed a registration statement under form 1A, Regulation A+, with the U.S. SEC. This “initial” registration was accepted by the SEC for review on August 13, 2018. First SEC staff comments will occur by mid-September 2018. The company is so far undecided whether we will use this registration to raise capital because the rationale for the filing was to take initial steps to resume some sort of financial reporting with the SEC to augment our current reporting with OTCMarkets, Inc.

In the Fall of 2014 the company announced its Discretion cloud wireless glucose monitoring product concepts, which will be manufactured for the company according to spec by its Korean contract manufacturer. In April 2015 the company entered into discussions with [HMD Biomedical, Inc.](#) in Taiwan for the importing of HMD’s FDA cleared “Cloudia,” product as a placeholder until the company’s Discretion Messenger product for children would be ready. We ended our discussions with HMD Biomedical in October 2016, after determining that the “Cloudia” product was not robustly developed enough for North American markets and to further develop this product would require another 510(k) approval from the U.S. FDA which we did not wish to undertake. HMD Biomedical has not subsequently enhanced its Cloudia product, but the company has added many if not all of the creative features resident in the Cloudia to its GenPrecis! system, a product of independent design that accomplishes many of the wireless communications in a less expensive manner than originally designed into Cloudia. The company reports that the GenPrecis! system supports these communication features and can be a special product for diabetic children.

The company entered into two international agreements throughout 2017. The first agreement, executed through the company’s exclusive Korean agent, allows for delivery of the GenUltimate! and GenSure! (and certainly the GenPrecis! product when available) in quantity for sale in the Korean, Taiwan, Hong Kong, Vietnam and Thailand markets market. As of this writing, the Korean partners have ordered and paid for over 220,000 pieces (units/boxes) of GenUltimate! The company’s second international agreement was through a South American financier who has businesses in Bolivia and Spain. This group initially placed a single two-year (term) order for approximately \$17 million in GenUltimate! test strips, GenUltimate! meters and the company’s new (2017) Firefly! Lancets. The South American financier also notified the company that he and those closely associated with him wished to subscribe to a \$3.25 million to \$5.0 million capital investment in the company. The group then signed and executed a Subscription Agreement for the company’s Preferred D shares in April 2017.

After delivery of approximately 11,000 pieces (units) of GenUltimate!, 3,000 GenUltimate! meters and cases of lancets delivered to Bolivia, the company was contacted by authorities in the U.S. and then again several months later by regulators in Spain concerning the partners and Chinese nationals who were supposedly silent partners involved with this international agreement. As a result of these contacts, the company, on March 20, 2018, terminated the Preferred D Subscription Agreement and terminated the International Distribution Agreement with the Bolivian entities.

In May 2018 the company entered into a wide ranging exclusive agreement with a U.S. concern, for sale of the company’s GenUltimate! and GenSure! products in Mexico and parts of South America. Our new distributor subsequently has come to terms with a large Mexican “big box” pharmacy and convenience store chain with over 2,000 locations in Mexico, Chile and Colombia. This agreement has induced the company to change its packaging for its Mexican sales of GenUltimate! and GenSure! and has adopted this packaging for all future International sales.

We have received multiple inquiries from companies interested in perhaps collaborating with the company for the implementation of its cell phone centric technologies MD@Hand and MD@Work. However, the market available for products similar to MD@Hand and MD@Work has changed since its introduction in 2009. The legal challenges to the new health care law and the federal government’s inability to enact regulations have altered the landscape, again. We may or may not entertain additional proposed partnerships for our implementation of the cell phone centric technologies, which has been hindered, as has the overall market, by the slow implementation of regulations, protocols and data formats by the Federal government, as well as a change in previously announced Federal government monetary incentives.

Additional Background and Foundation

In May 2010, we entered into agreement with Shasta Technologies, Inc. and Broadtree, Inc. This agreement granted our Pharma Tech Solutions, Inc. subsidiary the exclusive marketing rights to a new diagnostic product not yet on the market named Shasta Genstrip (“Genstrip”). The Genstrip product was developed to compete against the market leader in the then \$6.5 billion at home testing market. Shasta was in default of this 2010 Agreement within 90 days of its initiation. Penalties under that agreement and monies owed totaled in excess of \$2 million in “delay” penalties, which they were unable to pay. In April 2011, the company renegotiated its agreement changing its many roles and adding responsibility for regulatory approval, manufacturing and forecasting, international sales and additional sales markets in the U.S. Shasta defaulted under this agreement as well. On March 20, 2014 we acquired the GenStrip intellectual property, its marks and the cleared 510(k). Shasta defaulted on this agreement as well. In addition Shasta breached or defaulted on two insurance settlement agreements, owing to the aforementioned J&J litigation. And finally, Shasta confessed to patent infringement of J&J’s three patents.

On April 30, 2014 we first implemented our FDA mandated Quality Plan and are now operating as the manufacturer (operator) of the GenUltimate! test strip. We have implemented subsequent Quality Plans with our Korean contract manufacturer for our GenUltimate! product. Similar Quality Plans and FDA registrations will be in place for the company’s GenChoice! and GenPrecis products in the near term, and for our GenAccord and GenCambre products in 2019.

In August 2016 the company settled an insurance matter with Gotham Insurance, an IP Defense insurer, and Shasta covering legal fees associated with the 2011 and 2012 lawsuits brought by Lifescan, Inc. This settlement included a stipulation by Shasta to cease contacting and sharing confidential documents with persons who identified themselves as DECN shareholders. Several of these persons who contacted Shasta also contacted the aforementioned Retail Monster management. The stipulation gained in insurance settlement with Shasta does not preclude the company from pursuing Shasta, its principals and these “shareholders” in its omnibus lawsuit brought against Shasta et al. in 2014. The company filed for Summary Judgment in the Shasta lawsuit in July 2018. The Summary Judgment is being heard in late August 2018. Among other things, Shasta which has been unable to provide documents in the discovery stage of this 2014 suit, nonetheless provided some of these confidential documents to these shareholders, who then posted the information on public message boards. Oddly, the posters of the confidential documents have disappeared.

We currently employ nine professionals at or locally managed through our executive business office located at 2660 Townsgate Road, Suite 300, Westlake Village, California 91361. In addition, we maintain two full-time and seven part-time positions located throughout the United States. We also maintain a Quality Assurance office through our exclusive agent in Seoul, Korea as a means to fulfill our quality commitments to the FDA. Our telephone number is (805) 446-1973 and our website addresses are www.pharmatechsolutionsinc.com and www.genultimate.com. and www.decisiondiagnostics.com. Additional web sites will be added for our GenChoice! product (site in development) and our GenPrecis! product in the Spring of 2018.

As a part of the company’s strategic plans, we have applied (to register) for thirteen Trademarks with the USPTO. The company’s Genstrip product is a registered Trademark of Shasta Technologies LLC. Our applications were filed with the USPTO in 1Q and 2Q 2015 and throughout 2016 and 2017 and 2018. The company intends to use these Marks, as granted, to brand new products, rebranding of existing products, and the establishment of a family of Marks associated with our company and its place in our industry. As June 30, 2018 the company has received registration confirmation from the USPTO for the following Marks:

“Alltara!”
“GenUltimate!”
“GenSure!”
“GenChoice!”
“GenAccord!”
“GenCambre!”
“GenPrecis!”
“Firefly!”
“ConsumerValue!”

“Infatig”
“Medicius!”

Our marks for Alltara!, ConsumerValue!, Infatig!, and Medicius! will be used for product families as an integral part of our relationships with the “big-box” entities.

We have also applied for Trademarks for our PetSure! and PetUltimate! products in 2Q and 3Q 2018.

Beginning in the 4th Quarter 2015 and through 2nd Quarter 2016 the company suffered severe inventory shortage of the Genstrip 50 product at various times, owing to the timing of the various settlements with Johnson & Johnson by Shasta and a contract manufacturer, Conductive Technologies, Inc. For some period of time Conductive was unable, due to their settlement with Johnson & Johnson, to ship to the company certain quantities of the Genstrip 50 product. This problem began to clear up in late May 2016, and with the advent of adding the GenUltimate! product from Korea, shortages have been alleviated. The company’s capacity for GenUltimate! production is now 625,000 packages per month (50 count and 100 count packages), for the new GenSure! product 250,000 packages per month (25 count and 50 count packages) and the new GenChoice! product (initial) 150,000 packages per month (50 count and 100 count packages). Recently, a mega-retailer has requested minimum inventories of finished product of 350,000 units/boxes. We expect other retailers to make similar requests. The manufacture of GenUltimate! and GenSure! are very similar and this capacity and from a manufacturing standpoint can be viewed as interchangeable. Similarly the manufacture of GenChoice! will be similar to the manufacture of GenAccord! and GenCambre!

The company’s stock currently trades on the OTCMarkets OTC Pink Current tier of the market. The company’s shares are DTC eligible. On May 12, 2015 the company made an application for a tier change to the OTCQX (common) tier. When the company’s common stock fell in price beneath the \$.10 threshold, and when our sponsoring broker shuttered his operation, our application went into hiatus. Subsequently, the company received direct communication from OTCMarkets concerning a new uplist program offered, beginning May 18, 2017, whereby the company might uplist within the OTCMarkets tiers as a Current Alternative reporting company and filer. The company reviewed this offer and paid the registration fee, but instead chose another route. On August 1, 2018 the company filed a registration statement with the U.S. SEC under Form 1-A, Regulation A+. The company is undecided whether it will use this registration of securities to raise capital, but the main rationale for the filing was to begin a process of financial reporting again directly to the SEC. On August 13, 2018 the company was contacted by the SEC who did a cursory review of the company’s registration and have thus notified the company that they will provide a complete review with first SEC staff comments expected by the middle of September.

Business activities throughout the next twelve months:

The company’s business on a day-to-day basis includes the distribution of our GenUltimate! products, (50 count and 100 count versions), distribution of our GenSure! product (25 count and 50 count versions) in Mexico, and late in 2018 our GenChoice! (30 count, 60 count versions) in select International markets. The company’s GenPrecis! product will slip to early 2019, unless the company decides to sell a version of GenPrecis! and GenPrecis! Precise meter rebadged as its PetUltimate! (30 count, 60 count versions) and the PetUltimate Advantage meter. Our GenSure! (30 count and 60 count versions) will be sold in Mexico and a few other International markets. In the next 120 days the company will have concluded the clinical analyses and filed for 510K clearance for its GenChoice! product (25 count, 50 count and 100 count versions). The GenChoice! product will ultimately be sold worldwide. Within 180 days of this writing the company will have concluded the clinical analyses and filed for 510K clearance for its GenPrecis! product (25 count, 50 count and 100 count versions and a meter designed with young diabetics in mind). The GenPrecis! product will be sold worldwide and will, most likely, require a strategic partner.

In mid-2017 the company embarked on an ambitious plan to re-brand all of its products, existing and upcoming, to sell into what is more commonly known as the private label marketplace, or the co-brand markets. These markets overlap to a high degree with what is also historically known as the “big-box” market. The rebranding contingency eventually grew to change the entire scope of our products developed for private label sales. In traditional diabetic supplies markets the packages had to include claims made in the original 510K application,

plus new international symbiology and UDI identification. Packaging of the products was typically designed to accommodate the capacities of the automation that packaged the products themselves. There was no magic involved with packaging. The 25, 50 and 100 count packages sold by the entire industry grew out of the capabilities of the automated packaging machines, not some grand plan. The entire industry became “me-too.” The insurance reimbursement models associated with these 25, 50 and 100 count packages (overwhelmingly 50 count boxes) arose for the same reasons.

Companies in the manufacturing and marketing channels in the industry all employ these packaging processes, including Korean, Chinese and Taiwanese manufacturers. In truth, the manufacturer operations collectively decided not to pay an extra \$10,000 for the packaging machines, or the \$.10 for a slightly larger strip vial. The company believes this “me-tooism” to be a form of mental blinders. In implementing the company’s new private label strategy, Decision Diagnostics decided not to bow to the packaging machine or “me-too” limitations. Instead the new packaging to be employed by the company will take into account diabetic testing patterns and the average number of testing days in a month. Private label versions of the company’s products will be packaged in sizes of 30 count, 60 count and 120 count packages. This concept has been readily accepted by the company’s private label target list in a detailed survey, and it is believed that this new packaging concept will be a marketing coup. Sales to the private label industry will be through private label product groups where every private label partner will own a private label group, each group containing all of the company’s products in selective private label packaging.

The company currently has three major private label targets, the largest drug store chain, another top-5 drug store chain, and the second largest grocery store chain. In addition, the private label packaging is being offered to the largest drug store chains in Mexico and Canada. The Mexican chain, who also has numerous stores in Chile and Argentina has moved quickly. However, in all cases the sales process is in the closing stages. Closes of this nature, do however, take time. The company has Trademarked four product label groups for exclusive sales of products to the private label concerns: Alltara!, Advant!, Infatig!, and Medicius!.

Beginning in November 2009, we introduced our cell-phone centric medical IT products that offer solutions in medical care and management by providing physicians with information at the point of care. Unlike other medical information systems using standard computer terminals or even palm-sized computers (PDA’s), our software applications operate on a series of late generation smart e-cell phones including the Apple iPhone, the Palm Pre, the Google Droid, several makes of RIM’s Blackberry and many versions of the Microsoft Windows smart phones. Our products allow physicians to access and update their patients’ histories, medication data, and best care guidelines - *all at the point of care*. There are no current plans to sell these products.

Our 12-month business objectives include:

1. The practice of specializing in the distribution of GenUltimate! and GenSure! products, and the completion of the GenChoice! and GenPrecis! products. We also intend to add several brand-name medical diagnostic and medical disposable products (lancets through our Firefly! Product, as well as several lines of insulin syringes and pen needles, all associated with the on-going care of diabetes-inflicted patients, and the world-wide distribution of our proprietary diagnostic products.
2. Combining our wholesale and retail diagnostics distribution with the major successes we have had in the on-line retail markets, and adding legacy retail organizations (already some legacy retailers of note). See discussion above concerning private label opportunities and our private label lines.
3. Continue to implement the plans provided by our agent MWK LLC, and secure big-box pharmacy chains, chain grocers and nationwide retailers in addition to the private label groups previously discussed.

Recent Business Milestones:

In 2Q 2018 the company has accomplished the following milestones.

1. We completed the design and manufacture of GenSure! glucose test strips for the international markets, and completed the advanced development and third party testing of our GenChoice! and GenPrecis! products.
2. We began patient clinical and clinical trials of two new test strip products, our GenChoice! and GenPrecis! test strips and the GenPrecis! Precise meter.
3. We introduced, without fanfare, but with immediate success our PetSure! test strips for the glucose testing of dogs and cats.
4. We are pressing our suit against Johnson & Johnson and several divisions for manufacturing products that infringe on our patents. We won a major early battle in this suit where the trial judge granted us the opportunity to argue the Doctrine of Equivalents, an important concession in this case given J&J's penchant for the twisting of words and drawing lines through random dots. This suit began its prosecution phase on March 15, 2017 with the trial judge's early ruling. We await an important follow up ruling that if in our favor could bring about an end to the case. In August 2018 we filed a soft demand with the trial judge for this ruling.
5. The company initiated a marketing program to the on-line Marketplaces sponsored by pharmacy chain, department store and grocery store retailers, as well as mass merchandisers, and including the largest retailers. This program has so far been the most successful endeavor since our inception.

Financing Requirements

At March 31, 2018, we had cash of \$797,858 and negative working capital of \$339,229. We anticipate that we will require \$68 million in trade debt financing (with velocity of product sales, the \$68 million could yield over \$500 million in revolving financing) to finance our expected sales of GenUltimate!, GenSure! and GenChoice! In March 2012 we renewed our agreement with Alpha Credit Resources ("ACR") for a third time in order to obtain this debt financing. After the expiration of that agreement, in November 2013 we executed a new line of credit with Alpha Credit Resources, replacing our previous line. This credit line was for \$12.5 million, but with the velocity of our product sales, could yield over \$250 million in annually available credit. We never did draw down any credit financing from ACR, and on December 14, 2015 this credit line expired. Subsequently we learned that ACR and its parent, Platinum Partners became the subject of several Federal criminal investigations. In September 2016, the major funds controlled by Platinum filed for liquidation. The company immediately froze all of its securities held by Platinum, and notified the funds liquidator that we had been working with the former management of Platinum to effect return of a sizable majority of the securities held by Platinum. Platinum had not been granted any requests for any conversion or sale transactions since December 2014. As a part of this liquidation the company is now seeking return of most of the securities granted to the Platinum funds from 2007 through 2014.

We will from time to time continue to seek a combination of equity and long-term debt financing as well as other traditional cash flow and asset backed financing to meet our financing needs and to reduce our overall cost of capital. Additionally, in order to accelerate our growth rate and to finance general corporate activities, we may supplement our existing sources of funds with financing arrangements at the operating system level or through additional short-term borrowings. As a further capital resource, we may sell or lease certain rights or assets from our portfolio as appropriate opportunities become available. However, there can be no assurance that we will be able to obtain any additional financing, on acceptable terms or at all.

Results of Operations for the three months ended June 30, 2018 and 2017, compared.

The following tables summarize selected items from the statement of operations for the three months ended June 30, 2018 compared to 2017.

	Three Months Ended			
	June 30,		3 Months	%Δ
	2018	2017		
Revenue	\$ 430,483	\$ 422,740	7,743	1.83%
Cost of sales	324,754	292,799	31,955	10.91%
Gross profit	105,729	129,941	(24,212)	-18.63%

Revenue increased \$7,743 for the quarter ended June 30, 2018 to \$430,483 (2017 - \$422,740) due primarily to our increased marketing efforts and distribution channel with a major retail store.

Cost of sales increased \$31,955 for the quarter ended June 30, 2018 to \$324,754 (2017 - \$292,799) due primarily to an increase in competition that drove down the online retail price of our goods, resulting in smaller profit margins for us. We have since been able to stop the liquidation and downward pricing pressure with a major online retail store.

During fiscal 2013, we determined to discontinue our wholesale distribution business. The decline in revenue was anticipated and the direct result of our phasing out of sales of brand name diagnostic products as a result of the Medicare Competitive Bidding that went into effect January 1, 2013 and locked into place in all 50 states as of July 1, 2013. The net effect of these Medicare changes lowered reimbursement rates for all of the company's existing product lines by 68%. In addition, the overall at home testing market was already being hindered by the general poor economic conditions, longer payment cycles from insurers, additionally, our business model did not include the sale of retail brand-name products. These conditions may continue throughout 2018, but will enhance sales of our "Gen" products as we continue to develop our marketing and distribution channels.

OPERATING EXPENSES:

	Three Months Ended			
	June 30,		3 Months	%Δ
	2018	2017		
Expenses:				
General & administrative expenses	134,586	94,778	39,808	42.00%
Consulting	40,331	16,089	24,242	150.67%
Compensation expense	126,293	97,431	28,862	29.62%
Professional fees	208,340	377,719	(169,379)	-44.84%
Total expenses	509,550	586,017	(76,467)	-13.05%

General and administration expenses include office expenses (including rent, cleaning and maintenance, utilities, and telephone), insurance, and bank charges. During the three months ended June 30, 2018, general and administration expenses increased by \$39,808 to \$134,586 (2017 - \$94,778). We continue to experience increased costs as we develop our product growth strategy.

Consulting expenses for the three months ended June 30, 2018 increased \$24,242 to \$40,331 (2017 - \$16,089). The increase is due primarily to our engagement of outside marketing consultants in efforts to increase the visibility of our product lines.

Compensation expense for the three months ended June 30, 2018 increased \$4,501 to \$108,122 (2017 - \$103,621) due primarily to a general increase in compensation to contract consultants performing daily operating services.

Professional fees include accounting services, legal fees and regulatory reporting compliance. The decrease in professional fees of \$169,379 to \$208,340 (2017 - \$377,719) is due primarily to a decrease in legal fees incurred in connection with our product development costs wherein we engaged additional legal counsel to assist in the review of potential new sales/distributing agreements and review general corporate matters during the quarter ended June 30, 2017 as compared to 2018. We anticipate our legal fees to continue into 2018.

OTHER INCOME (EXPENSE):

	Three Months Ended			
	June 30,		3 Months	%Δ
	2018	2017		
Other income (expense):				
Financing costs	(98,611)	(7,000)	(91,611)	100.00%
Interest expense, net	(55,528)	(59,877)	4,349	-7.26%
Loss on terminated contract	-	(83,472)	83,472	-100.00%
Total other income (expense)	(154,139)	(150,349)	(3,790)	2.52%

Our other income and expense decreased an overall \$3,790 from \$150,349 in 2017 to \$154,139 in 2018. Other expense includes costs related to our financing activities associated with our debt and equity offerings of \$98,611 (2017 - \$7,000) and interest expense of \$55,528 (2017 - \$59,877). We also incurred a loss on terminated contract of \$83,472 in the three months ended June 30, 2017 compared to no loss in 2018.

We recorded a net loss for the three months ended June 30, 2018 of \$558,030 compared to a net loss in 2017 of \$606,425. Our total operating and non-operating expenses in 2018 totaled \$663,689 compared to \$736,366 in 2017, representing an overall decrease in total expenses of \$72,677. This change was primarily the result of no loss in terminated contract incurred in 2018.

Results of Operations for the six months ended June 30, 2018 and 2017, compared.

The following tables summarize selected items from the statement of operations for the six months ended June 30, 2018 compared to 2017.

	Six Months Ended			
	June 30,		6 Months	%Δ
	2018	2017		
Revenue	\$ 989,487	\$ 777,802	211,685	27.22%
Cost of sales	670,928	547,332	123,596	22.58%
Gross profit	318,559	230,470	88,089	38.22%

Revenue increased \$211,685 for the six months ended June 30, 2018 to \$989,487 (2017 - \$777,802) due primarily to our increased marketing efforts and distribution channel with a major retail store.

Cost of sales increased \$123,596 for the six months ended June 30, 2018 to \$670,928 (2017 - \$547,332) due primarily to an increase in competition that drove down the online retail price of our goods, resulting in smaller profit margins for us. We have since been able to stop the liquidation and downward pricing pressure with a major online retail store.

During fiscal 2013, we determined to discontinue our wholesale distribution business. The decline in revenue was anticipated and the direct result of our phasing out of sales of brand name diagnostic products as a result of the Medicare Competitive Bidding that went into effect January 1, 2013 and locked into place in all 50 states as of July 1, 2013. The net effect of these Medicare changes lowered reimbursement rates for all of the company's existing product lines by 68%. In addition, the overall at home testing market was already being

hindered by the general poor economic conditions, longer payment cycles from insurers, additionally, our business model did not include the sale of retail brand-name products. These conditions may continue throughout 2018, but will enhance sales of our “Gen” products as we continue to develop our marketing and distribution channels.

OPERATING EXPENSES:

	Six Months Ended			
	June 30,			
	2018	2017	6 Months	%Δ
Expenses:				
General & administrative expenses	281,204	215,491	65,713	30.49%
Consulting	72,016	63,286	8,730	13.79%
Compensation expense	234,414	201,052	33,362	16.59%
Professional fees	654,491	562,153	92,338	16.43%
Total expenses	1,242,125	1,041,983	200,142	19.21%

General and administration expenses include office expenses (including rent, cleaning and maintenance, utilities, and telephone), insurance, and bank charges. During the six months ended June 30, 2018, general and administration expenses increased by \$65,713 to \$281,204 (2017 - \$215,491). We continue to experience increased costs as we develop our product growth strategy.

Consulting expenses for the six months ended June 30, 2018 increased \$8,730 to \$72,016 (2017 - \$63,286). The increase is due primarily to our engagement of outside marketing consultants in efforts to increase the visibility of our product lines.

Compensation expense for the six months ended June 30, 2018 increased \$33,362 to \$234,414 (2017 - \$201,052) due primarily to a general increase in compensation to contract consultants performing daily operating services.

Professional fees include accounting services, legal fees and regulatory reporting compliance. The increase in professional fees of \$93,228 to \$654,491 (2017 - \$562,153) is due primarily to an increase in legal fees in the three months ended March 31, 2018, incurred in connection with our product development costs wherein we engaged additional legal counsel to assist in the review of potential new sales/distributing agreements and review general corporate matters. We anticipate our legal fees to continue into 2018.

OTHER INCOME (EXPENSE):

	Six Months Ended			
	June 30,			
	2018	2017	6 Months	%Δ
Other income (expense):				
Financing costs	(104,611)	(27,515)	(77,096)	100.00%
Interest expense, net	(102,937)	(119,754)	16,817	-14.04%
Loss on terminated contract	-	(83,472)	83,472	-100.00%
Total other income (expense)	(207,548)	(230,741)	23,193	-10.05%

Our other income and expense decreased an overall \$23,193 from \$230,741 in 2017 to \$207,548 in 2018. Other expense includes costs related to our financing activities associated with our debt and equity offerings of \$104,611 (2017 - \$27,515) and interest expense of \$102,937 (2017 - \$119,754). We also incurred a loss on terminated contract of \$83,472 in the six months ended June 30, 2017 compared to no loss in 2018.

We recorded a net loss for the six months ended June 30, 2018 of \$1,131,184 compared to a net loss in 2017 of \$1,042,254. Our total operating and non-operating expenses in 2018 totaled \$1,449,673 compared to

\$1,272,724 in 2017, representing an overall increase in total expenses of \$176,949. This change was primarily the result of an increase in financing costs incurred in the three months ended March 31, 2018.

Liquidity and Capital Resources

A critical component of our operating plan impacting our continued existence is the ability to obtain additional capital through additional equity and/or debt financing. We do not anticipate generating sufficient positive internal operating cash flow until later in 2018, as a result of several factors, including the change in our status from exclusive distributor of our GenStrip 50 (now GenUltimate!), to the manufacturer of this product (now in process), complete additional financial service company acquisitions and generate substantial revenues, which may take the next few years to fully realize. We believe we are adequately capitalized in the near term, but as our GenUltimate! product grows along its product life cycle, we may not obtain the necessary capital to pursue our strategic plan, and in the ultimate negative situation, we may have to cease or significantly curtail our operations. This would materially impact our ability to continue operations.

Nonetheless, to that end, the company was contacted through a U.S. based agent for a Canadian financier that manages several Canadian and American “do-good” investment funds and that one or more of these funds wishes to invest an approximate \$6.0 million into DECN and its subsidiaries. Investments of this nature can close quickly, because not only is DECN a do-good company with do-good products, but to these semi-charitable funds, our litigation battle with J&J and the financial industry’s common knowledge that J&J fights dirty, makes our model a near perfect fit.

As of June 30, 2018, we had cash and cash equivalents of \$797,858, inventory of \$163,539, prepaid expenses of \$608,738, and accounts receivable of \$586,910. Net cash used by operating activities for the six months ended June 30, 2018 was approximately \$662,338. Current liabilities of \$2,496,275 consisted of: \$812,065 of accounts payable and accrued liabilities, accrued interest of \$42,064, contingent legal fees of \$240,000, and notes payable of \$1,402,146. As of June 30, 2018, we have a negative working capital of \$339,229.

The accompanying financial statements have been prepared contemplating a continuation of the Company as a going concern. The Company has reported an accumulated deficit of \$47,612,968 and a net loss of \$1,131,184 for the six months ended June 30, 2018. Additional investments are being sought, but we cannot guarantee that we will be able to obtain such investments. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, the trading price of our common stock and conditions in the U.S. stock and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Further, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations

Cash to Operating Activities

During the six months ended June 30, 2018, operating activities used cash of \$662,338 compared to using cash of \$493,831 in 2017. Our operating loss for 2018 was \$1,131,184 and included shares issued for financing fees of \$6,000 (2017 - \$20,515), shares and options issued for services and financing costs of \$104,611 (2017 - \$48,915), and options issued for employee compensation of \$0 (2017 - \$36,000). Our change in accounts receivables increased \$52,382 to a use of \$149,006 (2017 - \$96,624). Our change in inventory increased \$48,597 to a source of \$153,120 (2017 - \$104,523). Our change in accounts payable and accrued liabilities decreased by \$78,180 to a source of \$6,511 (2017 - \$84,691). Accrued interest increased by \$66,655 to \$102,937 source (2017- \$36,282 source) related to our convertible debt offering. Our contingent liabilities remained constant in 2018 as compared to 2017 due to the recognition of liability due to our involvement in legal matters.

Cash from Investing Activities

During the six months ended June 30, 2018, investing activities used \$3,800 in cash (2017 - \$108,135 use). The decrease is due primarily to the acquisition of proprietary equipment and additional intellectual property (patents) in 2017.

Cash from Financing Activities

During the six months ended June 30, 2018, financing activities produced net cash of \$375,235 (2017 – \$0). This change is primarily a result of debt and equity offerings in 2018.

Internal and External Sources of Liquidity

Alpha Credit Resources LLC (formerly Centurion Credit)

On November 17, 2007, we entered into an agreement with Alpha Credit Resources LLC to secure a \$1,000,000 revolving credit facility that is geared specifically to our business. As of October 2008, the company renewed its agreement with Alpha Credit Resources LLC until November 17, 2009 and as an inducement to renew the credit line was increased to \$2,000,000, with additional seasonal increases to \$2,500,000. In September 2010 we began discussions with Alpha Credit for an additional \$6.0 million credit facility to provide available credit to finance sales of our new at-home testing diagnostic product. The company last borrowed funds using the credit line in the Year ended December 31, 2011. The agreement matured on December 31, 2011 without renewal. In March of 2012, we executed a renewal agreement with Alpha Credit. The renewal Year matured on December 31, 2012. We borrowed no money under this renewal. In December 2013 we again renewed our credit line with Alpha Credit, expanding our credit line to \$12.5 million (Fourth Omnibus Renewal). As a part of the most recent renewal agreement all previous accrued debt and interest owed Alpha Credit was reduced to \$0.00. Alpha Credit Resources breached this renewal agreement. The agreement was allowed to come to term. In April 2016 the company brought its disputes with Alpha Credit to the attention of new management and while working on a resolution, the parent of Alpha Credit and its sister operations became embroiled in two Federal investigations. Subsequently the funds that capitalized Alpha went into liquidation. The company was standing still until these investigations are brought to a conclusion, but in 1Q 2018 we decided to cancel 1,000 Class B Preferred shares that Alpha did not earn and may have been a part of a scheme to defraud the company. In May 2018 we further decided to cancel 271,428 Preferred E shares.

Cash Flow.

Since inception, we have primarily financed our cash flow requirements through the issuance of common stock, the issuance of notes and sales generated income. With anticipated growth in 2018 we may, during our normal course of business, experience net negative cash flows from operations, pending receipt of revenue, which often are delayed because of the nature of the healthcare industry. Further, we may be required to obtain financing to fund operations through additional common stock offerings and bank or other debt borrowings, to the extent available, or to obtain additional financing to the extent necessary to augment our available working capital.

Satisfaction of our cash obligations for the next 12 months.

As of June 30, 2018, our cash balance was \$797,858. Our plan for satisfying our cash requirements for the next twelve months is through additional equity, third party financing, trade debt financing and/or convertible debt financing. We anticipate sales-generated income during that same year of time, but do not anticipate generating sufficient amounts of positive cash flow to meet our working capital requirements. Consequently, we intend to make appropriate plans to insure sources of additional capital in the future to fund growth and expansion through additional equity or debt financing or credit facilities.

As we expanded operational activities, we may continue, from time to time, to experience net negative cash flows from operations, pending receipt of sales or development fees, and will be required to obtain additional

financing to fund operations through common stock offerings and debt borrowings to the extent necessary to provide working capital. It was not until the company entered into the agreement with Alpha Credit Resources, LLC that the company could fill orders for patients and customers on a continuous basis. Until the Alpha Credit line was put in place, we managed to keep a small portion of our distribution activities going when our limited resources allowed us which remains true as of this filing.

Predictions of future operating results are difficult to ascertain due to our historic operating activities. The recent addition of a credit line has helped but we have found it increasingly difficult to transact commerce in the very cash intensive prescription drug industry. Thus, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stages of commercial viability, particularly companies in new and rapidly evolving technology markets. Such risks include, but are not limited to, an evolving and unpredictable business model and the management of growth. To address these risks we must, among other things, implement and successfully execute our business and marketing strategy, continue to develop and upgrade technology and products, respond to competitive developments, and continue to attract, retain and motivate qualified personnel. There can be no assurance that we will be successful in addressing such risks, and the failure to do so can have a material adverse effect on our business prospects, financial condition and results of operations.

Expected purchase or sale of plant and significant equipment.

We do not anticipate the purchase or sale of any plant or significant equipment in the United States or Canada; as such, items are not required by us at this time. We have, however and from time to time, purchased specialty equipment for our Korean initiative. We have disclosed these investments previously in this document.

Going Concern

The financial statements included in this report have been prepared in conformity with generally accepted accounting principles that contemplate the continuance of the Company as a going concern. The Company's cash position is currently inadequate to pay all of the costs associated with testing, production and marketing of products. Management intends to use borrowings and security sales to mitigate the effects of its cash position, however no assurance can be given that debt or equity financing, if and when required will be available. The 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 the Company be unable to continue existence.

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 original Genstrip product required initial regulatory approval by the USFDA as well as on-going USFDA approvals during the product life cycle. Further, Genstrip required medical patient trials and competes directly with a major platform manufacturer. We insure against any claims made against the company for our Genstrip product.

Our GenSure product is sold only in international markets. We are protected against claims of patent and/or trademark infringement by virtue of our 2016 settlement agreement with Johnson & Johnson and two J&J divisions.

Our GenChoice! and GenPrecis! products will be sold worldwide. The company will have to protect against claims of infringement for both of these products. Patent and trademark infringement suits are often filed for strategic business reasons, having only a passing relationship to the patents or trademarks claimed to be at issue.

Healthcare, especially those segments where the company competes, is also very litigious. Competing companies often use litigation as a marketing tool, bringing litigation as a means to protect market share and limit market exposure. The medical industry is also intertwined. From time to time, we may become involved in claims and litigation that arise out of the normal course of business, such as litigation that emerges from disputes over damaged, missing or contaminated product, litigation that arises over payment disputes or claims of fair value. We may also become involved in disputes that arise over the business or business practices of our suppliers, payers and

customers. It is not uncommon in our industry to find that a litigant has filed claims in multiple jurisdictions involving the same transaction or a single transaction. The company maintains substantial insurance coverage against suits that may arise over issues of damaged, recalled or counterfeit product and other product liability issues. The company has also been a victim of the unapproved acts of prior management. These acts have resulted in claims from individuals and entities since the Board relieved former management of duty in 2006. Nonetheless, these claims have resulted in the use of management time and company resources to investigate, litigate, or settle. In addition, the company accrues contingent legal fees and product liability fees. As of June 30, 2018, our accrual was \$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 potentially material to us.

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We were in litigation with Lifescan Inc. a subsidiary of Johnson & Johnson beginning in September 2011. Lifescan had maintained throughout that our Genstrip (now known as GenUltimate!) product infringed on three of their patents. One of these patents became the subject of peripheral litigation activities, and two Appeals (one for each side) to the U.S. Appeals Court for the Federal Circuit (the patents appeals court). In January 2016 the Court of Appeals for the Federal Circuit ruled in its Mandate that this one foundational patent and the claims made by the assignee Lifescan, Inc. was struck (killed) due to obviousness (a clever wording meant to obscure a connection between the Lifescan, Inc. invention and earlier generation technologies dating back to the late 1970s). Throughout this Appeal process, and a litigation process waged through the USPTO, the company prevailed. In addition, as a result of certain claims and allegations made by Lifescan after the close of the USPTO final determination (in favor of the company), the office of the Solicitor General intervened against Lifescan Inc. in the Federal Circuit court and was of great assistance in getting the Lifescan, Inc. patent revoked. Nonetheless the seeming baseless allegations and claims made by Lifescan against the company have taken their toll, limited our ability to sell our GenStrip (now known as GenUltimate) to large entities ("big box stores") due to Lifescan "Franchise" agreements, and greatly extended the court processes.

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

In May 2016 the company became aware of a clause Lifescan had inserted in its Franchise agreements. This clause set a penalty structure whereby should any Franchisee also buy non-Lifescan products (but more clearly our GenUltimate) they would lose their access to product rebates, and in certain instances their Franchise which included J&J products from other J&J divisions. Once aware of these illegal tie-ins the company complained to the Federal government, and in January 2017, for the first time since the onset of litigation with J&J, the tie-in clause was globally lifted by J&J. The effect on J&J Franchisees has been spotty. During the pendency of the 2011 and 2012 lawsuits, Lifescan was guilty of a number of unethical practices. For example, in December 2014 counsel for Lifescan wrote a letter to the trial judge who was hearing all three patent matters. This letter outlined a series of issues involving Lifescan's lead damages "expert" during litigation proceedings. Lifescan's expert claimed educational and qualification credentials that were not true at the time of the "expert" testimony, and are not true even today. This expert also assisted Lifescan's counsel in at least one other case, and other companies' counsels in unrelated cases. Testimony from this expert, in each instance, allowed the Plaintiffs in these cases to secure court rulings to the detriment of the Defendants. In the company's case this expert was used twice and assisted Lifescan to receive preferential treatment from the court for setting of a litigation bond to cover potential damages, wherein the "expert" through testimony limited the scope and calculation of damages in the setting of the damages protection

afforded by the litigation bond and the damages resulting from Lifescan's violation of the court protective order. Lifescan's letter admonition came over a year after their successful use of this "expert." In effect this "expert," by virtue of his testimony, greatly limited Lifescan's potential liability to the company. By admitting that this "expert" was a fraud some three years later did not alter the advantage Lifescan gained earlier in the cases.

In March 2016 the company filed suit against Johnson & Johnson and two Lifescan divisions through our two IP subsidiaries. DECN filed the lawsuit in the United States District Court, District of Nevada, in Las Vegas, NV, Case 2:16-cv-00564, titled Pharma Tech Solutions, Inc. et al v. Lifescan, Inc. et al naming Johnson & Johnson and its divisions Lifescan, Inc. and Lifescan Scotland Ltd. for alleged infringement in relation to U.S. Patent numbers 6,153,069, an apparatus patent, and 6,413,411, a method patent. The suit seeks at least \$400 million in damages.

After an exchange of demand letters and posturing by the Defendants, including Defendant's Motion to Dismiss, the company prevailed in an important early determination by the trial judge. At a hearing in March 2017 the Federal judge denied Lifescan's Motion to Dismiss, granted the company's request to allege the Doctrine of Equivalents and set dates beginning in early April 2017 and ending in early November 2017 that could set the stage for a ruling. Federal rules for patent infringement suits have changed, and these suits are now adjudicated over an 18-24 month period. The trial judge's ruling in mid-March seems to foot with this schedule. In addition, if the schedule set by the judge does not end the litigation, there are five scheduled Mediations in front of a Federal Judge Magistrate pushing the process along. However, once the new litigation schedule was set, it was as if the judge disappeared. After some eight months of waiting for a ruling, on August 8, 2018 the company filed a soft demand for a ruling by the trial judge allowed under local Nevada Federal court rules. A similar legal strategy was employed by the company with the U.S. FDA who also held up ruling during the company's GenStrip 510K prosecution. The company believes its strategy is no lose. It either wins the legal battle with J&J, or it loses and immediately appeals in a friendlier court setting in Washington DC where politics play a much smaller role.

On May 20, 2016 the company settled all of Lifescan's patent infringement claims as well as the company's Anti-trust and false advertising counter-claims against Lifescan, Inc. and Johnson & Johnson. Neither side in these litigations was a clear winner, although when Plaintiff J&J paid the company cash money and granted patent licenses, the outcome was rare. Given that the company's products were artificially denied a market for almost 3 years, the company did receive rare settlement monies and other compensation from Lifescan in a suit where Lifescan initially held "all the cards." The amount of the settlement monies received by the company was confidential, as is often the case when Plaintiffs dismiss or lose a complex case, but confidentiality aside, the entire settlement was structured as a license agreement whereby Lifescan, Inc. granted licenses to the company for its test strip patents in return for accommodations regarding the anti-trust and false advertising claims made by the company. The licenses to the Lifescan Inc. patents were of great value to the company in the overall settlement.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results or operations, liquidity, capital expenditures or capital resources that is material to investors.

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. We do not believe the people who point these errors out to us are themselves perfect either.