Decision Diagnostics Corp.

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

Quarterly Report for Period Ended

June 30, 2020

The following pages present the unaudited financial statements along with Statements of Equity and Cash Flows, and the Footnotes to the Balance Sheet for Decision Diagnostics Corp., for the quarters ended June 30, 2020, and 2019. 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)

		June 30, 2020		December 31, 2019
Assets				
Current assets:				
Cash	$	650,077	$	114,334
Accounts receivable, net		945,205		1,045,166
Inventory		171,130		166,635
Prepaid expenses		499		2,249
Total current assets		1,766,911		1,328,384
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		743,865		683,550
Patent licenses, net value		2,490,825		2,490,825
Total other assets		3,234,690		3,174,375
Total assets	$	5,803,916	$	5,305,074
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	1,646,899	$	1,253,892
Accrued interest		-		348,549
Contingent legal fees		240,000		240,000
Short term inventory financing		310,379		335,304
Notes payable and short term debt with warrants (Note 5)		2,893,346		2,794,673
Total current liabilities		5,090,624		4,972,419
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 June 30, 2020 and December 31, 2019		-		-
Preferred series "B" stock, $0.001 par value, 2,500 shares authorized, 1,864 and 2,000 shares issued and outstanding as of June 30, 2020 and December 31, 2019		2		2
Preferred series "C" stock, $0.001 par value, 10,000 shares authorized, 6,663 and 7,458 shares issued and outstanding as of June 30, 2020 and December 31, 2019		6		8
Preferred series "D" stock, $0.001 par value, 500 shares authorized, 180 and 100 shares issued and outstanding as of as of June 30, 2020 and December 31, 2019		-		-
Preferred series "E" stock, $0.001 par value, 1,250,000 shares authorized, 747,540 and 1,072,540 issued and outstanding as of June 30, 2020 and December 31, 2019		747		1,072
Common stock, $0.001 par value, 494,995,000 shares authorized, 300,623,608 and 159,399,161 shares issued and outstanding as of June 30, 2020 and December 31, 2019		300,414		159,190
Common stock unissued, 1,410,000 shares as of June 30, 2020 and December 31, 2019		1,411		1,411
Subscription receivable		(82,250)		(82,250)
Unit offering finders' fees		(321,344)		(321,344)
Additional paid-in capital		68,282,653		50,059,420
Retained (deficit)		(67,713,417)		(49,729,924)
Total stockholders' equity		468,222		87,584
Total liabilities and stockholders' equity	$	5,803,916	$	5,305,074

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

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

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Revenue	$ 362,864	556,518	$ 936,656	$ 1,117,911
Cost of sales	262,753	431,728	638,337	820,034
Gross profit	100,110	124,790	298,319	297,877
	27.6%	22.4%	31.8%	26.6%
Expenses:				
General & administrative expenses	178,765	226,669	789,274	614,498
Consulting	18,300	70,934	34,049	120,347
Compensation expense	75,343	102,493	166,031	226,956
Professional fees	234,704	107,452	323,142	402,372
Total expenses	507,113	507,548	1,312,496	1,364,173
Net operating (loss)	(407,002)	(382,759)	(1,014,177)	(1,066,296)
Other income (expense):				
Financing costs	(16,405,565)	(313,254)	(16,434,065)	(313,254)
Interest expense, net	(107,102)	(69,450)	(339,889)	(476,182)
Loss on write-down of obsolete inventory	(304,276)	-	(304,276)	(162,359)
Other income - PPP grant	10,000	-	10,000	-
Gain on intellectual property settlement	-	1,340,000	-	1,340,000
Gain on inventory liabilities	-	-	100,000	-
Total other income (expense)	(16,806,943)	957,296	(16,968,230)	388,204
Taxes:				
State	(1,086)	-	(1,086)	-
Net income/loss	$ (17,215,031)	574,537	$ (17,983,493)	$ (678,092)
Add: Dividends declared on preferred stock	-	-	-	-
Income available to common shareholders'	$ (17,215,031)	574,537	$ (17,983,493)	$ (678,092)
Weighted average number of common shares outstanding - basic and fully diluted	271,385,939	148,748,447	219,262,278	143,481,879
Net loss per share - basic and fully diluted	$ (0.06)	-	$ (0.08)	$ (0.00)

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, 2019		**2,000**	**2**	**9,453**	**8**	**210**	**-**	**1,072,540**	**1,072**	**159,399,161**	**159,190**	**50,059,420**	**1,411**	**(82,250)**	**(321,344)**	**(49,729,924)**	**87,584**
1/22/20	New Issuance-Mark Herskowitz									600,000	600	11,400					12,000
3/10/20	New Issuance-Robert Herskowitz							120,000	120			2,280					2,400
3/10/20	New Issuance-Robert Herskowitz 2011 Irrv TR							30,000	30			2,070					2,100
3/11/20	New Issuance-Alpha Capital Anstalt									5,167,593	5,168	95,600					100,768
3/12/20	New Issuance-Alpha Capital Anstalt									3,504,205	3,504	64,828					68,332
3/13/20	New Issuance-Alpha Capital Anstalt									3,903,387	3,903	72,213					76,116
3/13/20	New Issuance-Robert Herskowitz							(120,000)	(120)	1,680,000	1,680	(1,560)					-
3/16/20	New Issuance-Alpha Capital Anstalt									3,852,572	3,853	71,273					75,125
3/16/20	New Issuance-Robert Herskowitz 2011 Irrv TR							(30,000)	(30)	420,000	420	(390)					-
3/18/20	New Issuance-Alpha Capital Anstalt									4,074,376	4,074	75,376					79,450
3/19/20	New Issuance-Robert Herskowitz							(175,000)	(175)	2,450,000	2,450	(2,275)					-
3/19/20	New Issuance-Mark Herskowitz									600,000	600	11,400					12,000
3/20/20	New Issuance-Alpha Capital Anstalt									5,060,718	5,061	93,623					98,684
3/24/20	New Issuance-Alpha Capital Anstalt									5,066,462	5,066	93,730					98,796
3/31/20	New Issuance-Alpha Capital Anstalt									4,014,359	4,014	74,266					78,280
	Rounding adjustment																1
	Net loss															**(768,462)**	**(768,462)**
BALANCE, MARCH 31, 2020		**2,000**	**2**	**9,453**	**8**	**210**	**-**	**897,540**	**897**	**199,792,833**	**199,583**	**50,723,253**	**1,411**	**(82,250)**	**(321,344)**	**(50,498,386)**	**23,174**
4/1/20	New Issuance-LICGO Partners			(1,050)	(1)					5,250,000	5,250	362,250					367,500
4/2/20	New Issuance-Alpha Capital Anstalt									4,231,624	4,232	291,982					296,214
4/3/20	New Issuance-Robert Herskowitz									631,178	631	37,240					37,871
4/3/20	New Issuance-Chase Finance Inc Profit Sharing									1,767,298	1,767	104,271					106,038
4/3/20	New Issuance-Robert Herskowitz 2011 Irrv TR									879,477	879	51,889					52,769
4/7/20	New Issuance-Navesink			(375)	-					1,875,000	1,875	373,125					375,000
4/7/20	New Issuance-Alpha Capital Anstalt									2,480,103	2,480	493,540					496,021
4/7/20	New Issuance-Alpha Capital Anstalt									1,835,259	1,835	365,217					367,052
4/7/20	New Issuance-Gerald Hickson			(300)	-					1,500,000	1,500	298,500					300,000
4/8/20	New Issuance-Alpha Capital Anstalt									4,550,803	4,551	678,070					682,620
4/8/20	New Issuance-Alpha Capital Anstalt									4,828,006	4,828	719,373					724,201
4/13/20	New Issuance-Alpha Capital Anstalt									4,553,436	4,553	815,065					819,618
4/17/20	New Issuance-LICGO Partners			(1,100)	(1)					5,500,000	5,500	1,149,500					1,155,000
4/17/20	New Issuance-Chase Financing Inc									1,318,340	1,318	275,533					276,851
4/17/20	New Issuance-Chase Financing Inc Profit Sh.									4,830,548	4,831	1,009,585					1,014,415
4/20/20	New Issuance-Alpha Capital Anstalt									4,841,966	4,842	866,712					871,554
4/22/20	New Issuance-Alpha Capital Anstalt									3,756,851	3,757	1,348,710					1,352,466
4/22/20	New Issuance-Alpha Capital Anstalt									1,009,757	1,010	362,503					363,513
4/22/20	New Issuance-LICGO Partners			210	-					-	-	-					-
4/22/20	New Issuance-LICGO Partners									240,000	240	86,160					86,400
4/22/20	New Issuance-Paradigm Capital					10	-			-	-	-					-
4/22/20	New Issuance-Sovereign Partners LLC			70	-					-	-	-					-
4/23/20	New Issuance-Alpha Capital Anstalt									4,873,000	4,873	1,359,567					1,364,440
5/8/20	New Issuance-Alpha Capital Anstalt									4,567,644	4,568	771,932					776,499
5/8/20	New Issuance-Kenneth J Schaefer							(150,000)	(150)	2,100,000	2,100	355,050					357,000
5/13/20	New Issuance-Alpha Capital Anstalt									4,523,162	4,523	945,341					949,864
5/18/20	New Issuance-Chase Financing Inc									2,837,500	2,838	394,413					397,250
5/18/20	New Issuance-Chase Financing Inc Profit Sh.									3,750,561	3,751	521,328					525,079
5/18/20	New Issuance-Sovereign Partners LLC					(40)	-			1,225,000	1,225	170,275					171,500
5/18/20	New Issuance-Sovereign Partners LLC			(245)	-					4,800,000	4,800	667,200					672,000
5/19/20	New Issuance-Mark Herskowitz									600,000	600	83,400					84,000
5/21/20	New Issuance-Alpha Capital Anstalt									4,532,376	4,532	856,619					861,151
5/22/20	New Issuance-Edward Feighan	(136)	-							2,040,000	2,040	426,360					428,400
5/28/20	New Issuance-Alpha Capital Anstalt									4,818,234	4,818	766,099					770,917
6/10/20	New Issuance-Alpha Capital Anstalt									4,283,652	4,284	552,591					556,875
	Rounding											2					1
	Net loss															**(17,215,031)**	**(17,215,031)**
BALANCE, JUNE 30, 2020		**1,864**	**2**	**6,663**	**6**	**180**	**-**	**747,540**	**747**	**300,623,608**	**300,414**	**68,282,653**	**1,411**	**(82,250)**	**(321,344)**	**(67,713,417)**	**468,222**

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

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

	Six Months Ended June 30, 2020	2019
Cash flows from operating activities		
Net loss	$ (17,983,493)	$ (678,092)
Adjustments to reconcile net loss to		
net cash (used) by operating activities:		
Amortization of prepaid legal fees	-	101,239
Shares and options issued for services	-	25,000
Shares issued for financing fees	16,434,065	313,254
Bad debt	450,000	175,000
Loss on write-down of obsolete inventory	304,276	162,362
Gain on inventory settlement	(100,000)	-
Gain on intellectual property settlement	-	(1,340,000)
Changes in operating assets and liabilities		
Accounts receivable	(350,039)	(175,429)
Inventory	(308,771)	(66,267)
Prepaid and other assets	1,750	1,750
Accounts payable and accrued liabilities	493,007	-
Accrued interest	180,159	476,182
Net cash (used) by operating activities	(879,046)	(1,005,001)
Cash flows from investing activities		
Intellectual property	(60,315)	(65,575)
Net cash (used) by investing activities	(60,315)	(65,575)
Cash flows from financing activities		
Proceeds from notes payable	1,500,030	500,010
Payments on notes payable	(24,926)	-
Subscriptions payable	-	300,000
Net cash provided by financing activities	1,475,104	800,010
Net decrease in cash	535,743	(270,566)
Cash - beginning	114,334	358,757
Cash - ending	$ 650,077	$ 88,191
Supplemental disclosures:		
Interest paid	$ -	$ -
Income taxes paid	$ 1,086	$ -
Non-cash transactions:		
Shares and options issued for services	$ -	$ 25,000
Shares issued for financing activities	$ 16,434,065	$ 313,254
Shares issued for debt and derivative liabilities	$ 1,930,065	$ 1,454,133

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

NOTE 1 – Basis of presentation and accounting policies

Basis of Presentation

The condensed consolidated interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated interim financial statements be read in conjunction with our consolidated financial statements for the period ended December 31, 2019 and notes thereto included in our annual filing. We follow the same accounting policies in the preparation of consolidated interim reports.

Results of operations for the interim periods are not indicative of annual results.

Recent Accounting Pronouncements

Management has analyzed all pronouncements issued during the three and six months ended June 30, 2020 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 our financial statements.

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 distribution platforms and channels 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 June 30, 2020:

	2020 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Intellectual property	$ -	$ -	$ 3,234,690	$ 3,234,690
Liabilities	-	-	-	-
Notes payable	-	(2,893,346)	-	(2,893,346)
Total	$ -	$ (2,893,346)	$ 3,234,690	$ 341,344

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 its role 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!, GenAccord! and GenCambre! products that make use of 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. This same equipment will be used to manufacture and release test our PetSure products. We continue to incur great expense due to development of our GenChoice! and GenUltimate Precis!, GenUltimate! TBG and GenViro! products during the three months ending June 30, 2020.

NOTE 5 – Patents

During the three months ended June 30, 2020 and 2019, we capitalized attorney fees related to the continued development and perfection of our patents. We did not amortize any intellectual property or patents during the quarters ended June 30, 2020 and 2019. We did, however, prosecute our patents in a lawsuit in the Federal Court district of Nevada, against Johnson and Johnson and two of their divisions. In October 2018 Johnson and Johnson sold their divisions to Platinum Equity. It appears that Platinum did not buy the patent portfolio associated with the diabetes products from Johnson & Johnson when they bought the business operations. Our lawsuit against Johnson & Johnson was ended by the court of Appeals for the Federal Circuit in late 2019. At this point all IP related litigation between the parties ended.

NOTE 6 – Acquisition of Certain Properties

In March 2014, we agreed to acquire certain properties from Shasta Technologies LLC. The agreement covering this acquisition became the subject of two litigations, one litigation related to the remaining proceeds of an IP defense insurance policy, subsequently settled, the other litigation concerning damages the company is trying to collect from Shasta Technologies LLC owing to Shasta's subsequent undisclosed issues with the U.S. FDA. The damages sought by the company, and other damages, became a part of allegations made in a suit filed in Pennsylvania where we will also litigate damages incurred as a result of a 2015 collusion between Shasta and our former contract manufacturer Conductive Technologies, Inc., who conspired with Johnson and Johnson during the settlement of the first patent litigations. On December 31, 2018 the court in Pennsylvania ordered judgement against Shasta in the amount of $3,600,000.

The original purchase price for this "Shasta" property was expected to be $2,000,000 (cash). Earlier in 2019 the company filed a Writ of Execution, owing to the $3,600,000 judgement that migrated from Pennsylvania. The Writ became final in April 2019, and was used, among other things, as offset against Shasta in the California litigation. Our business with Shasta is now completed.

We did register our FDA cleared product under our FDA Establishment registration (with the US FDA) in 2014, 2015, 2016, 2017, 2018, 2019 and 2020. In September 2016 we became fully compliant with the then newly implemented FDA UDI product identification initiative.

NOTE 7 – Accounts receivable and bad debt

During the six months ended June 30, 2020, we estimated that we would have approximately $450,000 in bad debt due to the COVID-19 pandemic which has led to the closing of businesses, in particular our then largest distributor, and several others who offer their own product fulfillment services. Accordingly, we have recorded bad debt expense of $450,000 for the six months ended June 30, 2020.

NOTE 8 – Notes payable

During the course of a year-end review of our debt with our noteholders, we mutually identified Original Issue Discounts ("OID's") associated with the notes totaling $537,516. We have recorded these OID's by increasing notes payable and interest expense as of the six months ended June 30, 2020.

During the six months ended June 30, 2020 the company closed additional financing in the form of Promissory Notes in the amount of $1,500,000, with Alpha Capital Anstalt, the company's primary financier. The Notes were funded and recorded on our books during the six months ended June 30, 2020.

We have recorded non-OID interest and financing expense in connection with our notes payable totaling $339,889 and $476,182, for the six months ended June 30, 2020 and 2019, respectively.

NOTE 9 – Stockholder's equity

Preferred "B"

During the quarter ended June 30, 2020, a holder of preferred series "B" shares converted 136 shares into 2,040,000 shares of $0.001 par value common stock.

Preferred "C"

During the quarter ended June 30, 2020, we issued 280 preferred series "C" shares to various shareholders for financing costs. The fair market value of the shares and financing costs is $nil on the date of issuance.

During the quarter ended June 30, 2020, certain holders of preferred series "C" shares converted 2,020 shares into 13,675,000 shares of $0.001 par value common stock for financing costs totaling $2,884,620, the fair market value of the shares on the date of issuance.

Preferred "D"

During the quarter ended June 30, 2020, we issued 10 preferred series "D" shares to various shareholders for financing costs. The fair market value of the shares and financing costs is $nil on the date of issuance.

During the quarter ended June 30, 2020, certain holders of preferred series "D" shares converted 40 shares into 1,225,000 shares of $0.001 par value common stock for financing costs totaling $171,500, the fair market value of the shares on the date of issuance.

Preferred "E"

During the quarter ended March 31, 2020, we issued 150,000 preferred series "E" shares to various consultants for services rendered. The fair market value of the shares and services is $4,500 on the date of issuance.

During the quarter ended March 31, 2020, certain holders of preferred series "E" shares converted 325,000 shares into 4,550,000 shares of $0.001 par value common stock.

During the quarter ended June 30, 2020, certain holders of preferred series "E" shares converted 150,000 shares into 2,100,000 shares of $0.001 par value common stock for financing costs totaling $357,000, the fair market value of the shares on the date of issuance.

Common

During the quarter ended March 31, 2020, we issued 34,643,672 shares of $0.001 par value common stock for conversion of debt and accrued interest totaling $675,552.

During the quarter ended March 31, 2020, we issued 1,200,000 shares of $0.001 par value common stock for financing costs totaling $24,000. Financing costs were calculated as the fair market value of the common shares on the date of issuance.

During the quarter ended March 31, 2020, we issued 4,550,000 shares of $0.001 par value common stock in exchange for 325,00 shares of preferred series "E" stock.

During the quarter ended June 30, 2020, we issued 59,685,873 shares of $0.001 par value common stock for conversion of debt and accrued interest totaling $1,254,514 and financing costs totaling $10,089,131. Financing costs were calculated as the excess of fair market value of the common stock over the conversion strike price on the date of issuance.

During the quarter ended June 30, 2020, we issued 16,854,902 shares of $0.001 par value common stock for financing costs totaling $2,490,033. Financing costs were calculated as the fair market value of the common shares on the date of issuance.

During the quarter ended June 30, 2020, a holder of preferred series "B" shares converted 136 shares into 2,040,000 shares of $0.001 par value common stock.

During the quarter ended June 30, 2020, certain holders of preferred series "C" shares converted 2,020 shares into 13,675,000 shares of $0.001 par value common stock for financing costs totaling $2,884,620, the fair market value of the shares on the date of issuance.

During the quarter ended June 30, 2020, certain holders of preferred series "D" shares converted 40 shares into 1,225,000 shares of $0.001 par value common stock for financing costs totaling $171,500, the fair market value of the shares on the date of issuance.

During the quarter ended June 30, 2020, certain holders of preferred series "E" shares converted 150,000 shares into 2,100,000 shares of $0.001 par value common stock for financing costs totaling $357,000, the fair market value of the shares on the date of issuance.

NOTE 10 – 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 non-qualified stock options with rights to purchase 20,000,000 shares of $0.001 par value common stock at the variable strike prices per share based on share fair market value on the date of grant. As of June 30, 2020, 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, 2020	26,350,000	$	0.05911
Options granted	-		-
Options cancelled	-		-
Options exercised	-		-
Balance, June 30, 2020	26,350,000	$	0.05911

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 oversight and inspection during the product life cycle. We also import product from Korea manufactured by our Korean contract manufacturer. This product is also subject to FDA inspection. We are also 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, our GenViro! and the later upcoming GenAccord! and GenCambre! products will follow similar pathways 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, Korea for example. We are now filing for approvals in the EU and the Russian Federation 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.

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 business, such as litigation that emerges from disputes over 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 and our 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 June 30, 2020, 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 or entities. These demands and disputes may consume management time and company resources. Other than as noted below, if there is such a disclosure, there are no pending matters at the current time that in management's judgment may be considered material or potentially material.

Leases

We currently maintain an executive office at 2660 Townsgate Road, Suite 300, Westlake Village, CA 91361. The space consists of approximately 2,300 square feet. The monthly rental for the space is $3,000 per month on a month-to-month basis. We also maintain space in a public warehouse in Miami, FL, for our import, export and storage and pick and pack needs. Also, we are granted space indirectly in Seoul, South Korea for the completion of necessary clinical testing.

Rent expense totaled $9,000 and $6,510 for the quarters ended June 30, 2020 and 2019, 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 except as described below, no other subsequent events have occurred that would require recognition or disclosure in the financial statements. We do however discuss all subsequent events in our Managements' Discussion and Analysis documents and filings.

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 and we remind the readers of this document that they are not perfect either.