Decision Diagnostics Corp.

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

Quarterly Report for Period Ended

September 30, 2019

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 September 30, 2019, and 2018. 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)

		September 30, 2019		December 31, 2018
Assets				
Current assets:				
Cash	$	49,991	$	358,757
Accounts receivable, net		925,752		949,797
Inventory		183,074		250,716
Prepaid expenses		3,124		106,988
Total current assets		1,161,942		1,666,258
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		668,050		567,175
Patent licenses, net value		2,490,825		1,150,825
Total other assets		3,158,875		1,718,000
Total assets	$	5,123,132	$	4,186,573
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	1,296,392	$	1,030,270
Accrued interest		34,095		48,462
Contingent legal fees		240,000		240,000
Notes payable and short term debt (Note 5)		1,116,980		1,530,680
Total current liabilities		2,687,467		2,849,412
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 September 30, 2019 and December 31, 2018		-		-
Preferred series "B" stock, $0.001 par value, 2,500 shares authorized, 2,000 and 1,000 shares issued and outstanding as of September 30, 2019 and December 31, 2018		2		2
Preferred series "C" stock, $0.001 par value, 10,000 shares authorized, 8,858 and 7,458 shares issued and outstanding as of September 30, 2019 and December 31, 2018		8		7
Preferred series "D" stock, $0.001 par value, 500 shares authorized, 190 and 100 shares issued and outstanding as of as of September 30, 2019 and December 31, 2018		-		-
Preferred series "E" stock, $0.001 par value, 1,250,000 shares authorized, 872,540 and 847,540 issued and outstanding as of September 30, 2019 and December 31, 2018		872		847
Common stock, $0.001 par value, 494,995,000 shares authorized, 156,679,161 and 134,551,840 shares issued and outstanding as of September 30, 2019 and December 31, 2018		156,470		134,343
Common stock unissued, 1,410,000 shares as of September 30, 2019 and December 31, 2018		1,411		1,411
Subscription receivable		(82,250)		(82,250)
Unit offering finders' fees		(321,344)		(321,344)
Additional paid-in capital		50,026,940		47,956,705
Retained (deficit)		(47,591,513)		(46,597,629)
Total stockholders' equity		2,190,595		1,092,091
Total liabilities and stockholders' equity	$	5,123,132	$	4,186,573

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

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

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Revenue	$ 528,458	$ 653,179	$ 1,646,369	$ 1,642,666
Cost of sales	404,024	478,628	1,224,058	1,149,556
Gross profit	124,434	174,552	422,311	493,111
	23.5%	26.7%	25.7%	30.0%
Expenses:				
General & administrative expenses	154,497	136,714	768,995	417,918
Consulting	40,612	35,098	160,959	107,114
Compensation expense	111,991	128,823	338,947	363,237
Professional fees	103,257	470,540	505,629	1,125,031
Total expenses	410,357	771,175	1,774,530	2,013,300
Net operating (loss)	(285,924)	(596,623)	(1,352,220)	(1,520,189)
Other income (expense):				
Financing costs	-	(91,266)	(313,254)	(195,877)
Interest expense, net	(29,869)	(47,480)	(506,051)	(150,417)
Loss on write-down of obsolete inventory	-	-	(162,359)	-
Gain on intellectual property	-	-	1,340,000	-
Total other income (expense)	(29,869)	(138,746)	358,335	(346,294)
Taxes:				
State	-		-	(70)
Net income/loss	$ (315,793)	$ (735,369)	$ (993,884)	$ (1,866,553)
Add: Dividends declared on preferred stock	-	-	-	
Income available to common shareholders'	$ (315,793)	$ (735,369)	$ (993,884)	$ (1,866,553)
Weighted average number of common shares outstanding - basic and fully diluted	156,344,378	122,689,435	147,816,494	129,749,768
Net loss per share - basic and fully diluted	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)

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, 2018		***1,000***	***2***	***7,458***	***7***	***100***	***-***	***847,540***	***847***	***134,551,840***	***134,343***	***47,956,705***	***1,411***	***(82,250)***	***(321,344)***	***(46,597,629)***	***1,092,091***
1/2/19	New Issuance-LICGO Partners			420	-					-	-	-					-
1/2/19	New Issuance-Sovereign Partners LLC			140	-					-	-	-					-
1/2/19	New Issuance-Paradigm Capital					10	-			-	-	-					-
2/5/19	New Issuance-Alpha Capital Anstalt									5,004,552	5,005	505,460					510,464
2/13/19	New Issuance-Mark Herskowitz									600,000	600	11,400					12,000
3/12/19	New Issuance-Chase Financing Inc Profit Sh.							(100,000)	(100)	1,400,000	1,400	(1,300)					-
	Rounding adjustment											(2)					-
	Net loss															***(1,252,629)***	***(1,252,629)***
BALANCE, MARCH 31, 2019		***1,000***	***2***	***8,018***	***7***	***110***	***-***	***747,540***	***747***	***141,556,392***	***141,348***	***48,472,263***	***1,411***	***(82,250)***	***(321,344)***	***(47,850,257)***	***361,926***
4/1/19	New Issuance-Alpha Capital Anstalt									4,139,272	4,139	418,066					422,206
4/5/19	New Issuance-Mark Herskowitz									600,000	600	60,600					61,200
5/1/19	New Issuance-Chase Financing Inc									413,218	413	41,735					42,148
5/1/19	New Issuance-Robert Herskowitz									1,091,718	1,092	110,264					111,355
5/1/19	New Issuance-Chase Financing Inc Profit Sh.									1,395,555	1,396	140,951					142,347
5/8/19	New Issuance-LICGO Partners			420	-					-	-	-					-
5/8/19	New Issuance-Sovereign Partners LLC			140	-					-	-	-					-
5/8/19	New Issuance-Paradigm Capital					10	-			-	-	-					-
5/8/19	New Issuance-Thomas Nelson					30	-			-	-	150,000					150,000
5/8/19	New Issuance-JAN Stock Trust					15	-			-	-	75,000					75,000
5/8/19	New Issuance-KEN Stock Trust					15	-			-	-	75,000					75,000
5/8/19	New Issuance-Robert Herskowitz							175,000	175	-	-	6,825					7,000
5/8/19	New Issuance-Kenneth Schaefer							150,000	150	-	-	5,850					6,000
6/11/19	New Issuance-Mark Herskowitz									600,000	600	60,600					61,200
6/19/19	New Issuance-Alpha Capital Anstalt									4,083,006	4,083	412,384					416,467
	Rounding adjustment										(1)	3					-
	Net loss															574,537	574,537
BALANCE, JUNE 30, 2019		**1,000**	**2**	**8,578**	**7**	**180**	**-**	**1,072,540**	**1,072**	**153,879,161**	**153,670**	**50,029,540**	**1,411**	**(82,250)**	**(321,344)**	**(47,275,720)**	**2,506,386**
7/11/19	New Issuance-Chase Financing Inc Profit Sh.							(200,000)	(200)	2,800,000	2,800	(2,600)					-
7/16/19	New Issuance-LICGO Partners LLC	400	-							-	-	-					-
7/16/19	New Issuance-Sovereign Partners LLC	210	-							-	-	-					-
7/16/19	New Issuance-Paradigm Capital Holdings	130	-							-	-	-					-
7/16/19	New Issuance-Navesink Device Initiatives LLC	260	-							-	-	-					-
7/16/19	New Issuance-LICGO Partners			210	-					-	-	-					-
7/16/19	New Issuance-Sovereign Partners LLC			70	-					-	-	-					-
7/16/19	New Issuance-Paradigm Capital					10	-			-	-	-					-
	Rounding adjustment				1					-	-	-					1
	Net loss															(315,793)	(315,793)
BALANCE, SEPTEMBER 30, 2019		**2,000**	**2**	**8,858**	**8**	**190**	**-**	**872,540**	**872**	**156,679,161**	**156,470**	**50,026,940**	**1,411**	**(82,250)**	**(321,344)**	**(47,591,513)**	**2,190,594**

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Cash flows from operating activities		
Net loss	$ (993,884)	$ (1,866,553)
Adjustments to reconcile net loss to		
net cash (used) by operating activities:		
Amortization of prepaid legal fees	101,239	500,000
Shares and options issued for services	25,000	-
Shares issued for financing fees	313,255	91,265
Bad debt	175,000	-
Loss on write-down of obsolete inventory	162,363	-
Gain on intellectual property settlement	(1,340,000)	-
Changes in operating assets and liabilities		
Accounts receivable	(150,955)	(530,174)
Inventory	(94,721)	116,219
Prepaid and other assets	2,625	1,550
Accounts payable and accrued liabilities	266,121	250,164
Accrued interest	506,051	150,417
Net cash (used) by operating activities	(1,027,906)	(1,287,112)
Cash flows from investing activities		
Fixed assets	-	(64,890)
Intellectual property	(100,875)	(45,745)
Net cash (used) by investing activities	(100,875)	(110,635)
Cash flows from financing activities		
Proceeds from notes payable	520,015	550,005
Proceeds from sale of stock	300,000	-
Net cash provided by financing activities	820,015	550,005
Net decrease in cash	(308,766)	(559,924)
Cash - beginning	358,757	1,351,860
Cash - ending	$ 49,991	$ 791,936
Supplemental disclosures:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ 2,400
Non-cash transactions:		
Shares and options issued for services	$ 25,000	$ 21,400
Shares issued for financing activities	$ 313,255	$ 27,515
Options issued for compensation	$ -	$ 36,000
Shares issued for debt and derivative liabilities	$ 1,454,133	$ 501,086

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, 2018 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 nine months ended September 30, 2019 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 September 30, 2019:

	2019 Fair Value Measurements			
	Level 1	Level 2	Level 3	Total Fair Value
Assets				
Intellectual property	$ -	$ -	$ 3,158,875	$ 3,158,875
Liabilities	-	-	-	-
Notes payable	-	(1,116,980)	-	(1,116,980)
Total	$ -	$ (1,116,980)	$ 3,158,875	$ 2,041,895

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. We continue to incur great expense due to development of our GenChoice! and GenUltimate Precis! And GenUltimate! TBG products during the nine months ending September 30, 2019.

NOTE 5 – Patents

During the nine months ended September 30, 2019 and 2018, 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 September 30, 2019 and 2018. We are, however, prosecuting 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 portfolio associated with the diabetes products from Johnson & Johnson when they bought the business operations.

During the nine months ended September 30, 2019, we settled out of court with Shasta Technologies, LLC, whereby we have retained all unobscured rights to acquire certain intellectual properties (see Note 6 below). We have expensed $660,000 in legal fees over the past several years pursuant to the litigation. We have capitalized and recorded a "Gain on Intellectual Property" of $1,340,000.

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 has recently 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 and in 2019. The company has begun taking the steps necessary to complete the 2020 FDA facility registrations. In September 2016 we became fully compliant with the then newly implemented FDA UDI product identification initiative.

NOTE 7 – 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 $376,089. We have recorded these OID's by increasing notes payable and interest expense as of the nine-months ended September 30, 2019.

On March 22, 2019 the company closed additional financing in the form of OID Notes and Warrants in the amount of $250,000 face value (OID of $37,500), with Alpha Capital Anstalt, the company's primary financier. The Notes were funded and recorded on our books during the nine months ended September 30, 2019.

We have recorded non-OID interest and financing expense in connection with our notes payable totaling $47,480 and $48,439, and $91,266 and $7,000 for the quarters ended September 30, 2019 and 2018, respectively.

NOTE 8 – Stockholder's equity

2019 Issuances

Preferred "B"

During the quarter ended September 30, 2019, we issued 1,000 preferred series "B" shares to certain existing shareholders pursuant to our quarterly bonus stock initiative. The fair market value of the shares are $nil on the date of issuance.

Preferred "C"

During the quarter ended June 30, 2019, we issued 560 preferred series "C" shares to certain existing shareholders pursuant to our quarterly bonus stock initiative. The fair market value of the shares are $nil on the date of issuance.

During the quarter ended September 30, 2019, we issued 280 preferred series "C" shares to certain existing shareholders pursuant to our quarterly bonus stock initiative. The fair market value of the shares are $nil on the date of issuance.

Preferred "D"

During the quarter ended June 30, 2019, we issued 70 preferred series "D" shares for cash totaling $300,000.

During the quarter ended September 30, 2019, we issued 10 preferred series "D" shares to various consultants for services provided. The fair market value of the shares and services are $nil on the date of issuance.

Preferred "E"

During the quarter ended June 30, 2019, we issued 325,000 preferred series "E" shares to various consultants for services rendered. The fair market value of the shares and services is $13,000 on the date of issuance.

During the quarter ended September 30, 2019, certain holders of preferred series "E" shares converted 200,000 shares elected to convert their shares into 2,800,000 shares of $0.001 par value common stock.

Common

During the quarter ended June 30, 2019, we issued 8,222,278 shares of $0.001 par value common stock for conversion of debt and accrued interest totaling $934,999.

During the quarter ended June 30, 2019, we issued 418,250 shares of $0.001 par value common stock for financing costs totaling $321,923.

During the quarter ended September 30, 2019, we issued 2,800,000 shares of $0.001 par value common stock in exchange for 200,00 shares of preferred series "E" stock.

NOTE 9 – Stock options

2017 Stock Option Plan

During the quarter ended March 31, 2017, we adopted the "2017" Executive and Key Man/Woman Stock Option Plan and granted incentive and nonqualified stock options with rights to purchase 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 September 30, 2019, 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, 2018	9,050,000	$ 0.10
Options granted	-	-
Options cancelled	-	-
Options exercised	-	-
Balance, December 31, 2018	9,050,000	$ 0.10
Balance, January 1, 2019	9,050,000	$ 0.10
Options granted	9,000.000	0.018
Options cancelled	-	-
Options exercised	-	-
Balance, September 30, 2019	18,050,000	$ 0.05911

NOTE 10 – Warrants

The following is a summary of activity of outstanding warrants:

	Number of Shares	**Weighted Average Exercise Price**
Balance, January 1, 2018	2,603,143	$ 0.56
Warrants granted	-	-
Warrants cancelled	-	-
Warrants exercised	-	-
Balance, December 31, 2018	2,603,143	$ 0.56
Balance, January 1, 2019	2,603,143	$ 0.56
Warrants granted	3,685,898	.0195
Warrants cancelled	-	-
Warrants exercised	-	-
Balance, September 30, 2019	6,289,041	$ 0.2432

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 insopection. 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 and the later upcoming GenAccord! and GenCambre! products will follow the same pathway with the U.S. FDA. The FDA calls its new product identification program, the UDI initiative, and the new packaging required, and met by us, approximates a similar standard implemented in the European Union in 2013, and then adopted in other countries, 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 September 30, 2019, 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 $2,170 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 trials.

Rent expense totaled $6,510 and $6,510 for the quarter ended September 30, 2019 and 2018, 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.

In July 2019 CEO Keith Berman approached the company Board of Directors with a plan and offer to, from time to time, through a proposed settlement of the litigation on-going with Johnson & Johnson, lend the company up to $450,000 through a combination of sources available to him. The Board accepted this offer, which came without pre-condition. Mr. Berman made it clear that he would rather lend the company money himself or through close friends and family, than to sell low priced equity to small institutions, given the likelihood of a handsome settlement of the litigation with Johnson & Johnson. The first loans totaled $215,000 and were made on October 1, 2019.

In August 2019 we completed development of our GenUltimate Precis! product for sale in the Russian Federation, the Ukraine, and several other countries within the Russian economic sphere. GenUltimate! Precis has no domestic market, and has been pulled and replaced remaining North American markets. Thus all sales of this product will be in those countries that sell or have sold Lifescan OneTouch Select Plus and Select Plus Flex meters. Initial estimates of sales volume provided by the distributor doing business with the company are a minimum of 15,000 units/boxes of per month. Our distribution partner in Moscow has filed for health ministry approval of the GenUltimate! Precis product, said approval is anticipated in January 2020.

In September 2019 we completed development of our GenUltimate! TBG product line, inclusive of a test strip, and two proprietary Precise meters. GenUltimate! TBG is our first meter/strip system market entry. We have completed internal and third party testing on this panacea product, a technology that is the future of the company. We have chosen a distribution partner for our GenUltimate! TBG and are working through to a definitive agreement in the coming days. A 510K filing with the U.S. FDA will be required for the Precise meters. The company has been informed that initial monthly orders for GenUltimate! TBG will be a minimum of 250,000 units/boxes of test strips, sold to a worldwide market. The company is not yet ready to provide an estimate for meter sales since the market for products like GenUltimate TBG is one where meters are provided free of charge, or at a nominal cost to users in return for continued test strip purchases. Other than GenUltimate! and GenUltimate! TBG test strips, no other test strip will run on the GenUltimate! TBG Precise meters.

In late September 2019 the company received a late in quarter follow-on order for its GenUltimate and PetSure products from a distributor. The order was for approximately $130,000. Some of the product that, would be used to fill this order, was still awaiting import inspection by the U.S. FDA on September 30, 2019. It is not uncommon for the company to receive end of quarter orders, but in this case the order could not be completely filled. Revenue and profit from this particular order will be reflected in the company's income statement for the year ended December 31, 2019.

<u>Error Repair</u>

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.