UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2016

or

¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transaction period from ______________ to ______________

Commission file number 333-62216

HEALTH DISCOVERY CORPORATION

(Exact name of registrant as specified in its charter)

Georgia	74-3002154
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

4243 Dunwoody Club Drive

Suite 202

Atlanta, Georgia 30350

(Address of principal executive offices)

(678) 336-5300

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year,

if changed since the last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large Accelerated Filer	¨	Non-Accelerated Filer (do not check if a smaller reporting company)	¨
Accelerated Filer	¨	Smaller Reporting Company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class:	**Outstanding as of May 23, 2016**
Common Stock, no par value	271,718,989
Series A Preferred Stock	0
Series B Preferred Stock	0
Series C Preferred Stock	30,000,000

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

HEALTH DISCOVERY CORPORATION

Balance Sheets

(unaudited)

	March 31, 2016	December 31, 2015
Assets		
Current Assets		
Cash	$406,455	$417,208
Investment in Available For Sale Securities *(Note G)*	121,434	141,978
Total Current Assets	527,889	559,186
Equipment, Less Accumulated Depreciation of $60,885 and $60,690 as of March 31, 2016 and December 31, 2015, respectively	-	195
Other Assets		
Patents, Less Accumulated Amortization of $3,110,408 and $3,044,728 as of March 31, 2016 and December 31, 2015, respectively	875,386	941,066
Total Assets	$1,403,275	$1,500,447
Liabilities and Stockholders' (Deficit) Equity		
Current Liabilities		
Accounts Payable - Trade	$100,662	$37,633
Dividends Payable	206,637	206,637
Deferred Revenue	43,388	43,388
Common Stock Warrants Liability *(Note D)*	1,280,080	339,268
Total Current Liabilities	1,630,767	626,926
Long Term Liabilities		
Deferred Revenue	94,005	104,853

Total Liabilities	1,724,772	731,779
Stockholders’ (Deficit) Equity		
Series C Preferred Stock, Convertible, 30,000,000 Shares Authorized; 30,000,000 Issued and Outstanding March 31, 2016 and December 31, 2015	560,732	560,732
Common Stock, No Par Value, 300,000,000 Shares Authorized; 271,718,989 Shares Issued and Outstanding March 31, 2016; 268,718,989 Shares Issued and Outstanding December 31, 2015	27,522,571	27,410,930
Accumulated Deficit	(28,404,800)	(27,202,994)
Total Stockholders’ (Deficit) Equity	(321,497)	768,668
Total Liabilities and Stockholders’ (Deficit) Equity	$1,403,275	$1,500,447

See accompanying notes to financial statements.

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HEALTH DISCOVERY CORPORATION

Statements of Operations

(unaudited)

For the Three Months Ended March 31, 2016 and 2015

	2016	2015
Revenues:		
Licensing & Development	$10,971	$10,847
Operating Expenses:		
Amortization	65,680	65,680
Professional and Consulting Fees	80,911	67,633
Legal Fees	9,000	18,317
Research & Development Fees	9,000	13,813
Compensation	50,920	46,757
Other General and Administrative Expenses	35,911	31,980
Total Operating Expenses	251,422	244,180
Loss From Operations	(240,451)	(233,333)
Other Income (Expense)		
Unrealized Loss on Available for Sale Securities *(Note G)*	(20,544)	(102,026)
Realized Gain on Available for Sale Securities *(Note G)*	-	133,957
Other Expense – Change in Warrants Liability *(Note D)*	(940,812)	-
Settlement Expense	-	(17,693)
Other Income (Expense), net	(931,356)	14,238
Net Loss	$(1,201,807)	$(219,095)
Weighted Average Outstanding Shares (basic and diluted)	269,718,989	264,718,989
Net Loss Per Share (basic and diluted)	$(0.0045)	$(0.0008)

See accompanying notes to financial statements.

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HEALTH DISCOVERY CORPORATION

Statements of Cash Flows

(unaudited)

For the Three Months Ended March 31, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities:		
Net Loss	$(1,201,807)	$(219,095)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Stock-based Compensation for Employees	5,437	3,837
Stock-based Compensation for Directors and Consultants	16,205	13,234
Realized Gain on Investments in Available for Sale Securities Measured in Accordance with the Fair Value Option *(Note G)*	-	(133,957)
Unrealized Loss on Investments in Available for Sale Securities Measured in Accordance with the Fair Value Option *(Note G)*	20,544	102,026
Increase in Warrants Liability *(Note D)*	940,812	-
Depreciation and Amortization	65,875	66,021
Decrease in Accounts Receivable	-	1,969
Decrease in Deferred Revenue	(10,848)	(10,846)
Increase in Accounts Payable – Trade	63,029	79,880
Net Cash Used in Operating Activities	(100,753)	(96,931)
Cash Flows From Investing Activities:		
Proceeds from Sale of Available for Sale Securities *(Note G)*	-	198,164
Net Cash Provided by Investing Activities	-	198,164
Cash Flows From Financing Activities:		
Proceeds from Common Stock Issuance	90,000	-
Net Cash Provided by Financing Activities	90,000	-
Net (Decrease) Increase in Cash	(10,753)	101,233
Cash, at Beginning of Period	417,208	7,642
Cash, at End of Period	$406,455	$108,875

See accompanying notes to financial statements.

HEALTH DISCOVERY CORPORATION

Notes to Financial Statements (unaudited)

Note A - BASIS OF PRESENTATION

Health Discovery Corporation (the "Company") is a biotechnology-oriented company that has acquired patents and has patent pending applications for certain machine learning tools, primarily pattern recognition techniques using advanced mathematical algorithms to analyze large amounts of data thereby uncovering patterns that might otherwise be undetectable. Such machine learning tools are currently in use for diagnostics and drug discovery, but are also marketed for other applications. The Company licenses the use of its patent protected technology and may provide services to develop specific learning tools under development agreements or to sell to third parties.

The accounting principles followed by the Company and the methods of applying these principles conform with accounting principles generally accepted in the United States of America (GAAP). In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ significantly from those estimates.

The interim financial statements included in this report are unaudited but reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the interim periods presented. All such adjustments are of a normal recurring nature. The results of operations for the three month period ended March 31, 2016 are not necessarily indicative of the results of a full year's operations and should be read in conjunction with the financial statements and footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 2015.

Note B – REVENUE RECOGNITION

Revenue is generated through the sale or license of patented technology and processes and from services provided through development agreements. These arrangements are generally governed by contracts that dictate responsibilities and payment terms. The Company recognizes revenues as they are earned over the duration of a license agreement or upon the sale of any owned patent once all contractual obligations have been fulfilled. If a license agreement has an undetermined or unlimited life, the revenue is recognized over the remaining expected life of the patents. Revenue is recognized under development agreements in the period the services are performed.

The Company treats the incremental direct cost of revenue arrangements, which consists principally of employee bonuses, as deferred charges and these incremental direct costs are amortized to expense using the straight-line method over the same term as the related deferred revenue recognition.

Deferred revenue represents the unearned portion of payments received in advance for licensing and development agreements. The Company had total unearned revenue of $137,393 as of March 31, 2016. Unearned revenue of $43,388 is recorded as current and $94,005 is classified as long-term.

Note C - NET LOSS PER SHARE

Basic Earnings Per Share (“EPS”) includes no dilution and is computed by dividing income or loss available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of securities that could share in the earnings or losses of the entity. Due to the net loss in all periods presented, potentially dilutive shares are not included in the calculation of diluted EPS as those shares would create an anti-dilutive result.

Note D - STOCK-BASED COMPENSATION and other EQUITY BASED PAYMENTS

Stock-based expense included in our net loss for the three months ended March 31, 2016 consisted of $21,642 for stock options granted to employees, directors, and consultants. Stock-based expense included in our net loss for the three months ended March 31, 2015 was $17,071 for stock options granted to directors, officers and consultants.

As of March 31, 2016, there was $139,971 of unrecognized cost related to stock option grants. The cost is to be recognized over the remaining vesting periods that average approximately 1.5 years.

HEALTH DISCOVERY CORPORATION

Notes to Financial Statements (unaudited), continued

Note D - STOCK-BASED COMPENSATION and other EQUITY BASED PAYMENTS, continued

On February 8, 2016, the Company granted options to purchase 5,000,000 shares of the Company's common stock to a group of employees and consultants in recognition of their efforts to lower the Company's monthly expenditures and compensation and their continuing contributions to the Company. The options vest over a two-year period, have an exercise price of $.03, and expire on February 8, 2026. Within the group of 5,000,000 options, the Company's Vice President, Mark A. Moore, Ph.D., received an option to purchase 500,000 shares of the Company's common stock and the Company's Senior Vice President, Hong Zhang, Ph.D., received an option to purchase 1,250,000 shares of the Company's common stock. The fair value of each option granted is $0.0219 and was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions: dividend yield at 0%, risk-free interest rate of 1.99%, an expected life of 5 years, and volatility of 96%. The aggregate computed value of these options is $109,271, and this amount will be charged as an expense over the two-year vesting period. Because these options exceed the amount of common shares available if the holders exercise the previously issued outstanding options and warrants, the Company will need to increase the authorized shares of common stock in order to satisfy these options.

In the fourth quarter of 2013, the Board of Directors authorized the issuance of Series C Preferred Shares in private placement transactions. As of December 31, 2015, the Company had issued a total of 30,000,000 preferred shares. The Series C Preferred Shares were fully subscribed in the third quarter 2015. The Series C Preferred Shares are accompanied by $0.03 warrants and $0.03 contingency warrants. The contingency warrants were issued during the three months ended March 31, 2016 as a result of the Company not attaining profitability by the end of the first quarter 2016. Because these contingency warrants exceed the amount of common shares available if the holders exercise the previously issued outstanding options and warrants, the Company will need to increase the authorized shares of common stock in order to satisfy these options. Furthermore, the Company has recorded an increase in the common stock warrants liability during the first quarter of 2016. The fair value of each warrant granted is $0.0219 and was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions: dividend yield at 0%, risk-free interest rate of 1.67%, an expected life of 5 years, and volatility of 96%. The aggregate computed value of these warrants is $656,380.

During the third quarter of 2015, the Board of Directors authorized the issuance of Common Stock in a private placement of 7,000,000 Common Shares with certain warrant features. As of March 31, 2016, 7,000,000 shares of this offering were sold. During the three month period ended March 31, 2016, the Company sold 3,000,000 of these shares and received $90,000 in proceeds. The Common Shares are accompanied by $0.03 warrants and $0.06 contingency warrants. The contingency warrants were issued during the three months ended March 31, 2016 as a result of the

Company not attaining profitability by the end of the first quarter 2016. Because these warrants exceed the amount of common shares available if the holders exercise the previously issued outstanding options and warrants, the Company will need to increase the authorized shares of common stock in order to satisfy these options. Furthermore, the Company has recorded an increase in the common stock warrants liability during the first quarter of 2016. The fair value of each warrant granted is $0.0219 and was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions: dividend yield at 0%, risk-free interest rate of 1.67%, an expected life of 5 years, and volatility of 96%. The aggregate computed value of these warrants is $284,432.

As of March 31, 2016, there were 91,750,000 option and warrant shares outstanding with a weighted average exercise price of $0.032.

The following schedule summarizes combined stock option and warrant information as of March 31, 2016:

Exercise Prices	**Number Outstanding**	**Weighted-Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted Average Remaining Contractual Life (years) of Exercisable Options and Warrants**
$0.027	3,000,000	7.25	2,500,000	7.25
$0.030	72,000,000	9.75	67,000,000	9.75
$0.036	7,750,000	7.50	5,916,668	7.50
$0.040	1,000,000	1.75	1,000,000	1.75
$0.050	1,000,000	1.75	1,000,000	1.75
$0.060	7,000,000	10.00	7,000,000	10.00
Total	91,750,000		84,416,668	

The weighted average remaining life of all outstanding warrants and options at March 31, 2016 are 9.75 years. The aggregate intrinsic value of all options and warrants outstanding and exercisable as of March 31, 2016 was $7,500, based on the market closing price of $0.03 on March 31, 2016, less exercise prices.

HEALTH DISCOVERY CORPORATION

Notes to Financial Statements (unaudited), continued

Note E - PATENTS

The Company has acquired and developed a group of patents related to biotechnology and certain machine learning tools used for diagnostic and drug discovery. Legal costs associated with patent acquisitions and the application processes for new patents are capitalized as patent assets. The Company has recorded as other assets $875,386 in patents and patent related costs, net of $3,110,408 in accumulated amortization, at March 31, 2016.

Amortization charged to operations for the three months ended March 31, 2016 and 2015 was $65,680 in both years. Estimated amortization expense for the next three years is $262,720 per year. Estimated amortization expense for the fourth year is $152,906 and no amortization expense for the fifth year.

Note F – STOCKHOLDERS' EQUITY

Series C Preferred Stock

In the fourth quarter of 2013, the Board of Directors authorized the issuance of Series C Preferred Shares in private placement transactions. As of December 31, 2015, the Company had issued a total of 30,000,000 preferred shares. The Series C Preferred Shares were fully subscribed in the third quarter of 2015. The Series C Preferred Shares are accompanied by $0.03 warrants and $0.03 contingency warrants. The contingency warrants were issued during the three month period ended March 31, 2016 as a result of the Company not attaining profitability by the end of the first quarter 2016. The holders must exercise fifty percent of the warrants if the market price for the Company's common stock is $0.20 for a period of thirty consecutive calendar days. The holders must also exercise fifty percent of the warrants if the market price for the Company's common stock is $0.30 for a period of thirty consecutive calendar days. The fair value of each warrant granted is $0.0219 and was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions: dividend yield at 0%, risk-free interest rate of 1.67%, an expected life of 5 years, and volatility of 96%. The aggregate computed value of these warrants is $656,380.

The Series C Preferred Stock has not been registered under either federal or state securities laws and must be held until a registration statement covering such securities is declared effective by the Securities and Exchange Commission or an applicable exemption applies.

Each share of Series C Preferred Stock may be converted into one share of Common Stock of the Company at the option of the holder, without the payment of additional consideration by the holder, so long as the Company has a sufficient number of authorized shares to allow for the exercise of all of its outstanding warrants and options. The Shares of Series C Preferred Stock must be converted into Common Stock of the Company either by the demand by the shareholder or at the fifth anniversary of the date of issuance. If the Company were to be dissolved, the Series C Preferred Stock receives preferential treatment over Common Stock.

During the third quarter of 2015, the Board of Directors authorized the issuance of Common Stock in a private placement of 7,000,000 Common Shares with certain warrant features. As of March 31, 2016, 7,000,000 shares of this offering have been sold. The Common Shares are accompanied by $0.03 warrants and $0.06 contingency warrants. The contingency warrants were issued during the three month period ended March 31, 2016 as a result of the Company not attaining profitability by the end of the first quarter 2016. The holders must exercise fifty percent of the warrants if the market price for the Company's common stock is $0.20 for a period of thirty consecutive calendar days. The holders must also exercise fifty percent of the warrants if the market price for the Company's common stock is $0.30 for a period of thirty consecutive calendar days. The fair value of each warrant granted is $0.0219 and was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions: dividend yield at 0%, risk-free interest rate of 1.67%, an expected life of 5 years, and volatility of 96%.

Due to the warrant features that accompany the sale of the Company's preferred and common shares, if all outstanding options and warrants were exercised, the Company would not have sufficient shares of common stock to meet the exercised options. The aggregate intrinsic value of all options and warrants outstanding and exercisable as of March 31, 2016 was $7,500, based on the market closing price of $0.03 on March 31, 2016, less exercise prices. The Company will need to increase the authorized shares of common stock in order to satisfy the options and warrants if the holders exercise the outstanding options and warrants.

HEALTH DISCOVERY CORPORATION

Notes to Financial Statements (unaudited), continued

Note G – INVESTMENT IN AVAILABLE FOR SALE SECURITIES

The Company has elected the fair value option in accordance with ASC 825, *Financial Instruments,* as it relates to its shares held in NeoGenomics' common stock that were acquired resulting from the NeoGenomics Master License Agreement executed on January 6, 2012. Management made the election for the fair value option related to this investment because it believes the fair value option for the NeoGenomics common stock provides a better measurement from which to compare financial statements from reporting period to reporting period. No other financial assets or liabilities are fair valued using the fair value option.

The Company's investment in NeoGenomics' common stock is recorded on the accompanying balance sheets under the caption Investment in Available for Sale Securities. The carrying value of this investment on the date of acquisition approximated $1,945,000. The change in fair value from December 31, 2015 to March 31, 2016 is an unrecognized loss of $20,544 for the remaining 18,000 shares held and is classified as other expense under the caption Unrealized Loss on Available for Sale Securities in the accompanying statements of operations. There are three levels of investments in the fair value hierarchy that assesses a company's assets based on the degree of certainty around the asset's underlying value. A Level 1 asset can be valued with certainty because they are liquid and have clear market prices. At the other end of the spectrum, Level 3 assets are illiquid and estimating their value requires inputs that are unobservable and reflect significant management assumptions. The Company classifies its investment as an available for sale security presented as a trading security on the balance sheets and the fair value is considered a Level 1 investment in the fair value hierarchy. The March 31, 2016 fair value of the investment of $121,434 is for the remaining shares held and is calculated using the closing stock price of the NeoGenomics common stock at the end of the reporting period.

As of March 31, 2016 and December 31, 2015, the Company held 18,000 shares of NeoGenomics stock. The initial 1,360,000 shares were acquired in January 2012 as a result of the NeoGenomics Master License Agreement.

Note H – COMMITMENTS AND CONTINGENCIES

The Company is subject to various claims primarily arising in the normal course of business. Although the outcome of these matters cannot be determined, the Company does not believe it is probable that any such claims will result in material costs and expenses.

Note I – FINANCIAL CONDITION AND GOING CONCERN

The Company has prepared its financial statements on a "going concern" basis, which presumes that it will be able to realize our assets and discharge our liabilities in the normal course of business for the foreseeable future.

The Company's ability to continue as a going concern is dependent upon our licensing arrangements with third parties, achieving profitable operations, obtaining additional financing and successfully bringing the Company's technologies to the market. The outcome of these matters cannot be predicted at this time. The Company's financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities that might be necessary should the Company be unable to continue in business.

If the going concern assumption was not appropriate for the Company's financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments may be material.

At March 31, 2016, the Company had $406,455 cash on hand along with its investment in NeoGenomics stock classified as available for sale securities worth $121,434. As a result, the Company estimates cash will be depleted by the end of 2016 if the Company does not generate sufficient cash to support operations.

HEALTH DISCOVERY CORPORATION

Notes to Financial Statements (unaudited), continued

Note I – FINANCIAL CONDITION AND GOING CONCERN, continued

The Company's plan to have sufficient cash to support operations is comprised of generating revenue through its relationship with NeoGenomics, providing services related to those patents, selling its NeoGenomics stock, and obtaining additional equity or debt financing. Specifically, the Company expects to begin receiving revenue by the end of 2016 from commercialization of the flow cytometry service and prostate tests developed as a part of the NeoGenomics relationship.

As a result, the Company focused its efforts to secure funds via licensing activity or other forms of fund raising either in the debt or equity markets. In addition, prior to the beginning of this year, the Company began raising capital through the Series C Preferred Stock offering. The Series C Preferred Stock offering was fully subscribed and completed in August 2015. As a result, the Company received $568,000 in 2015 in addition to the $332,000 received in prior years for a total of $900,000.

During the third quarter of 2015, the Board of Directors authorized the issuance of Common Stock in a private placement of 7,000,000 Common Shares with certain warrant features. As of March 31, 2016, 7,000,000 shares of this offering were sold. During the three month period ended March 31, 2016, the Company sold 3,000,000 of these shares and received $90,000 in proceeds.

The Company believes the funds received from the Series C Preferred Stock offering and private placement, along with disciplined expense management, will allow the Company to maintain operations until the end of 2016. While the Company believes these efforts will create a profitable future, there is no guarantee the Company will be successful in these efforts.

Note J – RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards (“ASU”) 2016-02, Leases. This standard update was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities, including for operating leases, on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently evaluating the impact that adopting ASU 2016-02 will have on its financial statements.

In November 2015, the FASB issued ASU No. 2015-17, Balance Sheet Classification of Deferred Taxes. This standard update provides guidance for balance sheet classification of deferred taxes. This standard requires that deferred tax assets and liabilities be classified as non-current on the balance sheet, and eliminates the prior guidance which required an entity to separate deferred tax liabilities and assets into a current amount and a noncurrent amount on the balance sheet. ASU 2015-17 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Earlier application is permitted as of the beginning of an interim or annual period. The Company is currently evaluating the impact that adopting ASU 2015-17 will have on its financial statements.

Note K – ACCOUNTING POLICIES

Patents

Initial costs paid to purchase patents are capitalized and amortized using the straight line method over the remaining life of the patent. The Company capitalizes the external costs and filing fees associated with obtaining patents on its new discoveries and amortizes these costs using the straight-line method over the shorter of the legal life of the patent or its economic life, generally 17 years, beginning on the date the patent is issued. Annual patent maintenance costs and annual license and renewal registration fees are expensed as period costs. If the applied for patents are abandoned or are not issued, the Company will expense the costs capitalized to date in the period of abandonment or earlier if abandonment appears probable. The carrying value of patents is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. As of March 31, 2016, the Company does not believe there has been any impairment of its patents.

HEALTH DISCOVERY CORPORATION

Notes to Financial Statements (unaudited), continued

Note K – ACCOUNTING POLICIES, continued

Stock-based Compensation

Stock-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the requisite service period.

Valuation and Amortization Method – The fair value awards of stock that do not contain a market condition target are estimated on the grant date using the Black-Scholes option-pricing model. The fair value of options that contain a market condition, such as a specified hurdle price, is estimated on the grant date using a probability weighted fair value model similar to a lattice valuation model. Both the Black-Scholes and the probability weighted valuation models require assumptions and estimates of expected volatility, expected life, expected dividend yield and expected risk-free interest rates.

Expected Term – The expected term of the award represents the period that the Company's stock-based awards are expected to be outstanding and was determined based on historical experience, giving consideration to the contractual terms of the stock-based awards, vesting schedules, and forfeitures due to departure prior to the end of the vesting schedule.

Expected Volatility – Volatility is a measure of the amounts by which a financial variable such as stock price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. The Company uses the historical volatility, employing a prior period equivalent to the expected term to estimate expected volatility.

Risk-Free Interest Rate – The Company bases the risk-free interest rate used in the Black-Scholes valuation method on the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equivalent to the expected term of a stock award.

Note L – SUBSEQUENT EVENTS

On May 17, 2016, the Company held its Annual Shareholder’s Meeting. One of the proposals presented by the Company in its proxy statement was an approval to amend the Company’s Articles of Incorporation to increase the number of authorized shares of common stock from 300,000,000 to 450,000,000. This proposal received a majority of votes.

In connection with their election to the Board of Directors, on May 17, 2016, the Company granted to Mr. Henry Kaplan, Mr. Kevin Kowbel, Mr. George McGovern, and Mr. William Quirk each an option to purchase 1,500,000 shares of the Company’s common stock. As a result, the options for Messrs. Kaplan, Kowbel, McGovern and Quirk vest 250,000 shares every six months, have an exercise price of $0.035, and expire on May 17, 2026. The fair value of each option granted is $0.0265 and was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions: dividend yield at 0%, risk-free interest rate of 1.89%, an expected life of 5 years, and volatility of 102%. The aggregate computed value of these options is $159,038, and this amount will be charged as an expense over the three-year vesting period.

Additionally, in recognition of his leadership as Chairman of the Board of Directors and CEO, on May 17, 2016, the Company granted to Mr. Kevin Kowbel an option to purchase 3,000,000 shares of the Company’s common stock. As a result, the options for Mr. Kowbel vest immediately, have an exercise price of $0.035, and expire on May 17, 2026. The fair value of each option granted is $0.0265 and was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions: dividend yield at 0%, risk-free interest rate of 1.89%, an expected life of 5 years, and volatility of 102%. The aggregate computed value of these options is $79,519, and this amount will be charged as an expense during the second quarter of 2016.

HEALTH DISCOVERY CORPORATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Corporate Overview

Our Company is a pattern recognition company that uses advanced mathematical techniques to analyze large amounts of data to uncover patterns that might otherwise be undetectable. The Company operates primarily in the field of molecular diagnostics where such tools are critical to scientific discovery. The terms artificial intelligence and machine learning are sometimes used to describe pattern recognition tools.

HDC's mission is to use its patents, intellectual prowess, and clinical partnerships principally to identify patterns that can advance the science of medicine, as well as to advance the effective use of our technology in other diverse business disciplines, including the high-tech, financial, and healthcare technology markets.

Our historical foundation lies in the molecular diagnostics field where we have made a number of discoveries that play a role in developing more personalized approaches to the diagnosis and treatment of certain diseases. However, our SVM assets in particular have broad applicability in many other fields. Intelligently applied, HDC's pattern recognition technology can be a portal between enormous amounts of otherwise undecipherable data and truly meaningful discovery.

Our Company's principal asset is its intellectual property which includes advanced mathematical algorithms called Support Vector Machines (SVM) and Fractal Genomic Modeling (FGM), as well as biomarkers that we discovered by applying our SVM and FGM techniques to complex genetic and proteomic data. Biomarkers are biological indicators or genetic expression signatures of certain disease states. Our intellectual property is protected by over 60 patents that have been issued or are currently pending around the world.

Our business model has evolved over time to respond to business trends that intersect with our technological expertise and our capacity to professionally manage these opportunities. In the beginning, we sought only to use our SVMs internally in order to discover and license our biomarker signatures to various diagnostic and pharmaceutical companies. Today, our commercialization efforts include: utilization of our discoveries and knowledge to help develop diagnostic and prognostic predictive tests; licensing of the SVM and FGM technologies directly to diagnostic companies; and, the potential formation of new ventures with domain experts in other fields where our pattern recognition technology holds commercial promise.

Operational Activities

The Company markets its technology and related developmental expertise to prospects in the healthcare, biotech, and life sciences industries. Given the scope of some of these prospects, the sales cycle can be quite long, but management believes that these marketing efforts may produce favorable results in the future.

NeoGenomics License

On January 6, 2012, we entered into a Master License Agreement (the "NeoGenomics License") with NeoGenomics Laboratories, Inc. ("NeoGenomics Laboratories"), a wholly owned subsidiary of NeoGenomics, Inc. ("NeoGenomics"). Pursuant to the terms of the NeoGenomics License, we granted to NeoGenomics Laboratories and its affiliates an exclusive worldwide license to certain of our patents and know-how to use, develop and sell products in the fields of laboratory testing, molecular diagnostics, clinical pathology, anatomic pathology and digital image analysis (excluding non-pathology-related radiologic and photographic image analysis) relating to the development, marketing production or sale of any "Laboratory Developed Tests" or LDTs or other products used for diagnosing, ruling out, predicting a response to treatment, and/or monitoring treatment of any or all hematopoietic and solid tumor cancers excluding cancers affecting the retina and breast cancer. We retain all rights to in-vitro diagnostic (IVD) test kit development.

Upon execution of the NeoGenomics License, NeoGenomics paid us $1,000,000 in cash and issued to us 1,360,000 shares of NeoGenomic's common stock, par value $0.001 per share, which had a market value of $1,945,000 using the closing price of $1.43 per share for NeoGenomic's common stock on the OTC Bulletin Board on January 6, 2012. In addition, the NeoGenomics License provides for milestone payments in cash or stock, based on sublicensing revenue and revenue generated from products and services developed as a result of the NeoGenomics License. Milestone payments will be in increments of $500,000 for every $2,000,000 in GAAP revenue recognized by NeoGenomics up to a total of $5,000,000 in potential milestone payments. After $20,000,000 in cumulative GAAP revenue has been recognized by NeoGenomics, we will receive a royalty of (i) 6.5% (subject to adjustment under certain circumstances) on net revenue generated from all Licensed Uses except for the Cytogenetic Interpretation System and the Flow Cytometry Interpretation System and (ii) a royalty of 50% of net revenue (after the recoupment of certain development and commercialization costs) that NeoGenomics derives from any sublicensing arrangements it may put in place for the Cytogenetic Interpretation System and the Flow Cytometry Interpretation System.

HEALTH DISCOVERY CORPORATION

Management's Discussion and Analysis, continued

NeoGenomics agreed to use it best efforts to commercialize certain products within one year of the date of the license, subject to two one-year extensions per product if needed, including a "Plasma Prostate Cancer Test", a "Pancreatic Cancer Test", a "Colon Cancer Test", a "Cytogenetic Interpretation System", and a "Flow Cytometry Interpretation System." NeoGenomics has completed both of its one-year extension terms of the license. While those one-year extension terms are complete, the Company and NeoGenomics continue to collaborate on efforts to commercialize the licensed technologies.

If NeoGenomics has not generated $5.0 million of net revenue from products, services and sublicensing arrangements by January 2017, we may, at our option, revoke the exclusivity with respect to any one or more of the initial licensed products, subject to certain conditions.

The Company believes our relationship with NeoGenomics is instrumental in our medical and diagnostic testing development. We further believe the majority, if not all, of our applications in the medical field will be done in conjunction with NeoGenomics.

Plasma Test for Prostate Cancer

NeoGenomics is developing a Blood Test for Prostate Cancer under the direction of Dr. Maher Albitar using the genes patented by HDC. The test is performed on blood plasma and urine rather than only prostate tissue biopsies. NeoGenomics completed Phase I of their research and published the results in 2014. Additionally, NeoGenomics completed Phase II of their prostate test validation in 2014. The results were largely the same as those published regarding Phase I. NeoGenomics is currently concluding a clinical trial for this test, named NeoLAB™ Prostate – Liquid Alternative to Biopsy. NeoGenomics announced in March 2016 the test is now commercially available.

Cytogenetic Analysis

Cytogenetic analysis is the science of studying chromosomes. Microscopic evaluation of individual chromosomes remains the first step in the evaluation of the human genome. Cytogenetic analysis is performed on almost all patients with hematopoietic diseases (blood cancers such as leukemia and lymphoma) and on a significant number of patients with solid tumors. The collected data is useful for diagnosis, prognosis and monitoring of diseases. Currently, specially trained technicians perform most of the analysis manually. The work is labor-intensive and subjective. Computer automation of this work could significantly reduce cost and improve the quality of the test.

NeoGenomics is currently working on development, validation and commercialization of this new image analysis tool for cytogenetic analysis under the direction of Dr. Maher Albitar. The Company and NeoGenomics have spent a considerable amount of time using SVM Technology to create significant improvement in cytogenetic analysis. NeoGenomics is currently beta testing this co-developed technology within their facilities. One of the goals with this technology is for NeoGenomics to sub-license this technology after successful internal testing and validation. Per the license agreement, HDC will receive a portion of the sub-license revenue generated by NeoGenomics.

Flow Cytometry

Management believes that our efforts to develop an SVM-based diagnostic test to help interpret flow cell cytometry data for myelodysplastic syndrome (pre-leukemia) has resulted in a successful proof of concept. The Company, along with NeoGenomics, is now capable of completing development, final validation and commercialization of the new diagnostic test for the interpretation of flow cytometry data. This test has been licensed to NeoGenomics for final development and work has begun on the further development of this technology.

SVM Capital, LLC

In January 2007, SVM Capital, LLC (“SVM Capital”) was formed as a joint venture between HDC and Atlantic Alpha Strategies, LLC (“Atlantic Alpha”) to explore and exploit the potential applicability of our SVM technology to quantitative investment management techniques. Atlantic Alpha’s management has over thirty years of experience in commodity and futures trading.

HEALTH DISCOVERY CORPORATION

Management's Discussion and Analysis, continued

In November 2012, Atlantic Alpha began auditable formal live trading by applying SVM technology to quarterly fundamental corporate data such as sales, earnings and projected earnings. The SVM algorithm is utilized to select U.S. stocks which are expected to outperform or underperform in the next quarter based on current data while at the same time rendering superior portfolio risk metrics. This application of SVM technology allows the creation of a variety of equity portfolios. SVM Capital has been pleased with the results of the application of the SVM technology.

On June 16, 2015, SVM Capital joined Manifold Partners, LLC ("Manifold Partners") as a partner. Manifold Partners is a San Francisco-based multi-strategy portfolio management firm specializing in quantitative investment methodologies. As a part of the partnership, SVM Capital will contribute their proprietary service to the collaboration with Manifold Partners. This new collaboration will be known as Manifold Vector. SVM Capital specializes in the application of an artificial intelligence technique to investment strategies. SVM Capital has developed mathematical algorithms to rank-order S&P 500 stocks to determine investment desirability, including long and short equity positions. Importantly, only fundamental corporate data is analyzed, which Manifold Partners believes to be unique in the quantitative investment field. This technology is an outgrowth of the machine learning techniques created by the Company.

Intellectual Property Developments

In January 2016, the U.S. Patent Office issued a notice of allowance of the Company's application covering analysis of chromosomal abnormalities using support vector machines. The automated analysis method greatly reduces the time required for visual inspection of images of chromosomes while providing more accurate and repeatable results. The Company has a companion application covering this technology still pending in Europe.

The Company now holds the exclusive rights to 53 issued U.S. and foreign patents covering uses of SVM and FGM technology for discovery of knowledge from large data sets. The Company also has 8 pending U.S. and foreign patent applications covering uses of the SVM technology as well as diagnostic methods that have been discovered using the SVM technology. A reduction in the total number of issued and pending patents during 2015 resulted from the Company's decision to allow certain foreign patents issued and/or filed in countries that were deemed to have lower strategic value to lapse. In addition, a few U.S. patents that were either near the ends of their terms and/or had parallel applications with broader claims in force were allowed to expire. In addition, significant changes in the U.S. Patent Laws relating to the eligibility of certain subject matter for patent protection influenced the Company's decision to abandon a few of its pending U.S. applications. This in turn reduced the Company's total expenses for patent maintenance.

Intel Update

The Company's patent application that was submitted to provoke an interference with Intel's Patent No. 7,685,077 remains pending. The application file has been transferred to the U.S. Patent Office's Interference Division, which reportedly has a significant backlog, and is not likely to be acted on for quite some time.

Three Months Ended March 31, 2016 Compared with Three Months Ended March 31, 2015

Revenue

For the three months ended March 31, 2016, revenue was $10,971 compared with $10,847 for the three months ended March 31, 2015. The revenue earned during the first quarter in 2016 and 2015 is related to the revenue recognition of the Vermillion settlement.

Operating and Other Expenses

Amortization expense was $65,680 for both the three months ended March 31, 2016 and 2015. Amortization expense relates primarily to the costs associated with filing patent applications and acquiring rights to the patents.

Professional and consulting fees totaled $80,911 for the three months ended March 31, 2016, compared with $67,633 for the same 2015 period. These fees consist primarily of patent filing and maintenance costs, professional fees, and accounting fees. The increase was due to higher patent filing and maintenance costs.

HEALTH DISCOVERY CORPORATION

Management's Discussion and Analysis, continued

Legal fees decreased with fees totaling $9,000 during the three months ended March 31, 2016 and $18,317 during the same period in 2015. The decrease was related to the elimination of legal costs related to the Company's resolution of the FTC matter in the first quarter 2015 caused by previous management teams.

Research and development fees were $9,000 for the three months ended March 31, 2016 and $13,813 for the same period in 2015. This expense for research and development relates primarily to work completed under the NeoGenomics License.

Compensation expense of $50,920 for the three months ended March 31, 2016 was higher than the $46,757 reported for the comparable 2015 period. The increase is attributed to costs related to employee option awards.

Other general and administrative expense increased to $35,911 for the three months ended March 31, 2016, compared to $31,980, for the same period in 2015. This increase was due to expenses related to the hiring of an investors relation firm for the Company.

Loss from Operations

The loss from operations for the three months ended March 31, 2016 was $240,451, compared to $233,333 for the three months ended March 31, 2015. The increase was due to an increase in expenses as described above.

Other Income and Expense

The Company received a portion of the NeoGenomics license fee in NeoGenomics stock. The Company has chosen to measure the gain or loss on the value of this asset using the fair value option method. During the three month period ended March 31, 2016, the change in the NeoGenomics stock fair value decreased by $20,544, which is recorded as other income (expense) in the statements of operations. During the same three month period in 2015, the change in the NeoGenomics stock fair value decreased by $102,026.

Because the Company issued warrants exceeding the amount of common shares available if the holders exercised the previously issued outstanding options and warrants, the Company has recorded an increase in the common stock warrants liability of $940,812 during the three month period ended March 31, 2016.

As a result of the settlement with the FTC over actions by previous management, the Company recognized a settlement expense of $17,693 during the first quarter 2015.

Net Loss

The net loss for the three months ended March 31, 2016 was $1,201,807 compared to net loss of $219,095 for the three months ended March 31, 2015. The increase was due primarily to the increase in common stock warrant liability.

Loss per share was $0.0045 for the three-month period ended March 31, 2016 compared to loss per share of $0.0008 for the quarterly period ended March 31, 2015.

Liquidity and Capital Resources

We have prepared our financial statements on a "going concern" basis, which presumes that we will be able to realize our assets and discharge our liabilities in the normal course of business for the foreseeable future.

Our ability to continue as a going concern is dependent upon our licensing arrangements with third parties, achieving profitable operations, obtaining additional financing and successfully bringing our technologies to the market. The outcome of these matters cannot be predicted at this time. Our financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classifications of the assets and liabilities that might be necessary should we be unable to continue in business.

HEALTH DISCOVERY CORPORATION

Management's Discussion and Analysis, continued

At March 31, 2016, the Company had $406,455 in cash and total current liabilities of $1,630,767. The primary amount of current liabilities relates to $1,280,080 in common stock warrants liability. Additionally, we continue to sell our NeoGenomics Stock in order to fund operations. Although the NeoGenomics stock has increased in value since the initial acquisition date, the number of shares and amount of cash we can generate from the sale of NeoGenomics Stock is subject to fluctuating market and price conditions. As a result, we will not have sufficient resources to meet all of our current obligations unless the Company is able to secure funds via licensing activity or other forms of fund raising either in the debt or equity markets. During the third quarter of 2015, the Board of Directors authorized the issuance of Common Stock in a private placement of 7,000,000 Common Shares with certain warrant features. During the three month period ended March 31, 2016, the Company sold 3,000,000 of these shares and received $90,000 in proceeds. None of these options are definitive and there is no guarantee the Company will be successful in these fund raising efforts. The Company estimates cash will be depleted by the end of 2016 unless the Company is able to raise additional capital.

At March 31, 2016, the Company had no contractual obligations that require disclosure.

The Company has relied primarily on equity and debt financing for liquidity. The Company produced sales, licensing, and developmental revenue starting in late 2005 and must increase revenues in order to generate sufficient cash to continue operations. The Company's plan to have sufficient cash to support operations is comprised of selling its NeoGenomics Stock, generating revenue through licensing its patent portfolio, providing services related to those patents, and obtaining additional equity or debt financing. Since January 2015, the Company has been unable to generate significant revenue, as further described above. As a result, the Company has implemented a cash conservation program. Specifically, the Company has eliminated several highly compensated former employees and consultants. The new management team has significantly reduced their compensation. Our Interim Chief Executive Officer, who receives no salary or compensation for his work on behalf of the Company, leads this effort. This effort has reduced the monthly expenditures or "burn rate".

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that provide financing, liquidity, market or credit risk support or involve leasing, hedging or research and development services for our business or other similar arrangements that may expose us to liability that is not expressly reflected in the financial statements.

Forward-Looking Statements

This Report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 12E of the Securities Exchange Act of 1934, including or related to our future results, certain projections and business trends. Assumptions relating to forward-looking statements involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. When used in this Report, the words “estimate,” “project,” “intend,” “believe,” “expect” and similar expressions are intended to identify forward-looking statements. Although we believe that assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate, and we may not realize the results contemplated by the forward-looking statement. Management decisions are subjective in many respects and susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause us to alter our business strategy or capital expenditure plans that may, in turn, affect our results of operations. In light of the significant uncertainties inherent in the forward-looking information included in this Report, you should not regard the inclusion of such information as our representation that we will achieve any strategy, objective or other plans. The forward-looking statements contained in this Report speak only as of the date of this Report as stated on the front cover, and we have no obligation to update publicly or revise any of these forward-looking statements. These and other statements which are not historical facts are based largely on management’s current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those contemplated by such forward-looking statements. These risks and uncertainties include, among others, the failure to successfully develop a profitable business, delays in identifying customers, and the inability to retain a significant number of customers, as well as the risks and uncertainties described in “Risk Factors” section to our Annual Report for the fiscal year ended December 31, 2015.

HEALTH DISCOVERY CORPORATION

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not Applicable.

Item 4. Controls and Procedures

As of the end of the period covered by this report (the “Evaluation Date”), we carried out an evaluation regarding the fiscal quarter ended March 31, 2016, under the supervision and with the participation of our management, including our Interim Chief Executive Officer, who is also serving as our Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based upon this evaluation, our management concluded that, as of the Evaluation Date, because of the Company’s internal control weakness, our disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed in the reports that are filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission’s rules and forms and that our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management including our Chief Executive Officer, as appropriate, to allow timely decisions regarding required disclosure.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that the Company’s disclosure controls and procedures will detect or uncover every situation involving the failure of persons within the Company to disclose material information otherwise required to be set forth in the Company’s periodic reports.

The Company’s management is also responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. As of the Evaluation Date, no changes in the Company’s internal control over financial reporting occurred that have materially affected or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Our Annual Report on Form 10-K contains information regarding a material weakness in our internal control over financial reporting as of December 31, 2015 due to an inadequate segregation of duties resulting from our small number of employees.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2015, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

HEALTH DISCOVERY CORPORATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In the fourth quarter of 2013, the Board of Directors authorized the issuance of Series C Preferred Shares in private placement transactions. As of December 31, 2015, the Company had issued a total of 30,000,000 preferred shares. The Series C Preferred Shares were fully subscribed in the third quarter 2015. The Company received total net proceeds of \$900,000, of which \$568,000 was received in the period ended September 30, 2015. The Series C Preferred Shares are accompanied by \$0.03 warrants and \$0.03 contingency warrants. The contingency warrants were issued during the three month period ended March 31, 2016 as a result of the Company not attaining profitability by the end of the first quarter 2016. The holders must exercise fifty percent of the warrants if the market price for the Company's common stock is \$0.20 for a period of thirty consecutive calendar days. The holders must also exercise fifty percent of the warrants if the market price for the Company's common stock is \$0.30 for a period of thirty consecutive calendar days. The warrants were valued at \$0.0219 each using the Black Scholes Method.

The Series C Preferred Stock has not been registered under either federal or state securities laws and must be held until a registration statement covering such securities is declared effective by the Securities and Exchange Commission or an applicable exemption applies.

The Series C Preferred Stock may be converted into Common Stock of the Company at the option of the holder, without the payment of additional consideration by the holder, so long as the Company has a sufficient number of authorized shares to allow for the exercise of all of its outstanding warrants and options. The Shares of Series C Preferred Stock must be converted into Common Stock of the Company either by the demand by the shareholder or at the fifth anniversary of the date of issuance. If the Company were to be dissolved, the Series C Preferred Stock receives preferential treatment over Common Stock.

During the third quarter of 2015, the Board of Directors authorized the issuance of Common Stock in a private placement of 7,000,000 Common Shares with certain warrant features. As of March 31, 2016, 7,000,000 shares of this offering were sold. During the three month period ended March 31, 2016, the Company sold 3,000,000 of these shares and received \$90,000 in proceeds. The Common Shares are accompanied by \$0.03 warrants and \$0.06 contingency warrants. The contingency warrants were issued during the three months ended March 31, 2016 as a result of the Company not attaining profitability by the end of the first quarter 2016.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On May 17, 2016, the Company held its Annual Shareholder's Meeting. One of the proposals presented by the Company in its proxy statement was an approval to amend the Company's Articles of Incorporation to increase the number of authorized shares of common stock from 300,000,000 to 450,000,000. This proposal received a majority of votes.

In connection with their election to the Board of Directors, on May 17, 2016, the Company granted to Mr. Henry Kaplan, Mr. Kevin Kowbel, Mr. George McGovern, and Mr. William Quirk each an option to purchase 1,500,000 shares of the Company's common stock. As a result, the options for Messrs. Kaplan, Kowbel, McGovern and Quirk vest 250,000 shares every six months, have an exercise price of $0.035, and expire on May 17, 2026. The fair value of each option granted is $0.0265 and was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions: dividend yield at 0%, risk-free interest rate of 1.89%, an expected life of 5 years, and volatility of 102%. The aggregate computed value of these options is $159,038, and this amount will be charged as an expense over the three-year vesting period.

Additionally, in recognition of his leadership as Chairman of the Board of Directors and CEO, on May 17, 2016, the Company granted to Mr. Kevin Kowbel an option to purchase 3,000,000 shares of the Company's common stock. As a result, the options for Mr. Kowbel vest immediately, have an exercise price of $0.035, and expire on May 17, 2026. The fair value of each option granted is $0.0265 and was estimated on the date of grant using the Black-Scholes pricing model with the following assumptions: dividend yield at 0%, risk-free interest rate of 1.89%, an expected life of 5 years, and volatility of 102%. The aggregate computed value of these options is $79,519, and this amount will be charged as an expense during the second quarter of 2016.

Item 6. Exhibits

The following exhibits are attached hereto or incorporated by reference herein (numbered to correspond to Item 601(a) of Regulation S-K, as promulgated by the Securities and Exchange Commission) and are filed as part of this Form 10-Q:

31.1	Rule 13a-14(a)/15(d)-14(a) Certifications of Chief Executive Officer and Principal Financial Officer. Filed herewith.
32.1	Section 1350 Certifications of Chief Executive Officer and Principal Financial Officer. Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Health Discovery Corporation Registrant
Date: May 23, 2016	By:/s/ Kevin Kowbel Printed Name: Kevin Kowbel Title: Chief Executive Officer, Principal Financial Officer, and Principal Accounting Officer