

DECISION DIAGNOSTICS CORP  
Form 10-K  
April 16, 2013

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2012**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 000-33187

**Decision Diagnostics Corp.**

(Exact name of registrant as specified in its charter)

**Nevada**  
(State or other jurisdiction of incorporation or  
organization)

**91-2105842**  
(I.R.S. Employer Identification No.)

**2660 Townsgate Road, Suite 300**

**Westlake Village, California**  
(Address of principal executive offices)

**91361**  
(Zip Code)

Registrant's telephone number, including area code (805) 446-1973

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, \$0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act  
. Yes . No  .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  
. No  .

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 such filing requirements for the past 90 days. Yes  . No  
.

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporation Website, 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 . No  .

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.  
 .

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No .

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed first fiscal quarter. \$2,029,995 based on a share value of \$0.18

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. The company had, as of February 14, 2013, 14,406,351 shares of common stock, \$0.001 par value, issued and outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.

**DECISION DIAGNOSTICS CORP**

**FORM 10-K**

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## FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words may, could, estimate, intend, continue, believe, anticipate or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. You should, however, consult further disclosures we make in this Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The factors impacting these risks and uncertainties include, but are not limited to:

.  
deterioration in general or regional economic, market and political conditions;

.  
our ability to successfully compete in the pharmaceutical supply industry;

.  
increased competitive pressures from existing competitors and new entrants;

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increases in interest rates or our cost of borrowing or a default under any material debt agreements;

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loss of customers or sales weakness;

the fact that our accounting policies and methods are fundamental to how we report our financial condition and results of operations, and they may require management to make estimates about matters that are inherently uncertain;

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adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;

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changes in U.S. GAAP or in the legal, regulatory and legislative environments in the markets in which we operate;

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inability to efficiently manage our operations;

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inability to achieve future sales levels or other operating results;

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the unavailability of funds for capital expenditures;

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the other risks and uncertainties detailed in this report.

In this form 10-K references to Decision Diagnostics, the Company, we, us, and our refer to Decision Diagnostics Corp. and its operating subsidiaries, Decision IT, Pharma Tech Solutions, Inc., PharmTech Direct Corp., and PDA Services, Inc.

## AVAILABLE INFORMATION

We file annual, quarterly and special reports and other information with the SEC. You can read these SEC filings and reports over the Internet at the SEC's website at [www.sec.gov](http://www.sec.gov) or on our website at [www.decisiondiagnostics.com](#). You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Please call the SEC at (800) SEC-0330 for further information on the operations of the public reference facilities. We will provide a copy of our annual report to security holders, including audited financial statements, at no charge upon receipt to of a written request to us at Decision Diagnostics Corp, 2660 Townsgate Road, Suite 300, Westlake Village, California 91361.





## PART I

### ITEM 1. BUSINESS.

#### Overview

Decision Diagnostics Corp. (formerly instaCare Corp) is a nationwide prescription and non-prescription diagnostics and home testing products distributor. Diagnostic test kits and at-home patient testing products are regulated by the U.S. FDA in a manner similar to prescription drugs but the products we distribute, for the most part, do not require a doctor's prescription for anything other than insurance benefit compliance. Our subsidiaries, Pharma Tech Solutions, Inc., Pharmtech Direct Corp. and PDA Services, Inc. operate in several healthcare products distribution channels. We distribute brand name prescription and non-prescription diagnostics products, as well as several lines of ostomy, wound care and post-surgery medical products. Throughout 2012 we began the process of gearing up to introduce to several market channels, a proprietary diagnostic product, the Shasta Genstrip ( Genstrip ) k103542 on November 30, 2012, for at-home testing of blood glucose, an estimated \$22.5 billion worldwide market. Shasta Genstrip is the first alternative glucose testing strip that has been launched in this decade and is the first sold into the market since early 2008. Genstrip competes with a decade old but ubiquitous predicate product currently used daily by over 3 million diabetes afflicted Americans, and an estimated 2 million diabetes afflicted people outside of the United States. However, the two largest markets for Genstrip are retail markets where uninsured and under-insured Americans shop for value and discount and in direct to patient markets which have changed dramatically in the past six months due to the federal cost cutting brought about by the 2013 Sequester and upcoming cost cuts on July 1, 2013, brought on by the Affordable Care Act, which has added a component of competitive bidding. Federal reimbursement for direct to patient providers will be lowered by 66% on July 1, 2013, making Genstrip an economical and needed solution for those estimated 2.8 million diabetics that have used the predicate product in the past but can no longer afford it.

Typically, and except for our own Shasta Genstrip, which is an alternative product, we have distributed name brand diagnostic products. Over the past 8 years, the company directs its marketing efforts to ambulatory and semi-ambulatory older Americans afflicted with diabetes and complications caused by diabetes and old age. On December 1, 2012 we changed our business model whereby we now direct our marketing and distribution efforts to users and former users of the competitive but ubiquitous predicate product.

The company, originally a medical IT company with proprietary IT product lines, acquired its medical products distribution business in late 2004 through a merger with Phoenix, Arizona based CareGeneration, Inc. Decision Diagnostics has spent the last 9 years building this business. We have grown the original CareGeneration business through subsequent acquisitions of private businesses and strategic partnerships with larger private pharmacies. In November and December 2011 we acquired two private concerns, both acquisitions intended to assist our launch of Shasta Genstrip, and to ease the patient service commitment that Shasta Genstrip now require.

We intend to acquire additional private companies in this industry to achieve our goal of becoming a full service, vertically integrated, value added provider of products and services to an ever-growing market.

Decision Diagnostics, through its PDA Services, Inc. and Decision IT Corp. subsidiaries, also offers information technology solutions in several medical care market channels by providing physicians with information at the point of care. Our products, unlike those from many other medical information companies, make use of smart cell phones such as the Apple iPhone, the Palm Pre, the Google Droid and a wide selection of Microsoft Windows based smart phones and operate in either in a wireless or wired mode, which allow physicians to carry, access and update their patients histories, also known as electronic medical records or EMR/EHR, medication data, and best care guidelines - *all at the point of care*, or from any other location the physician may be located. In addition, the company's products employ proprietary mathematical game theory features adapted by the company for medical use that allow acceptance of diagnoses and treatment protocols where the medical information may have originated from one or several locations and one time or several times.

We have entered into eight partnerships with freestanding pharmacies in the states of New York, Texas, New Jersey and Arizona. We believe that we will be able to provide value added services to our customers by cost reductions brought about by increased efficiencies and cross marketing opportunities.

We have received multiple inquiries from companies interested in perhaps partnering with the company for the implementation of its cell phone centric technologies MD@Hand and MD@Work. However, these inquiries have tapered off due to the changes that the Medicare competitive bidding cost cutting will bring to the overall healthcare market. Those interested companies range from clinical laboratories, service organizations owned or aligned with medical health insurers, a medical content provider and legacy healthcare systems companies. We continue to discuss various partnerships and ventures with these companies, but with the federal Medicare, Medicaid and the new Affordable Care Act programs in a state of flux, the federal government has been slow to release the necessary communication protocols that will make products like our MD@Hand and MD@Work have great value. All of these proposed ventures are with companies that are much larger than Decision Diagnostics, but who themselves are under stress. We may or may not entertain additional proposed partnerships in the future. We may also find that our Shasta Genstrip distribution efforts might make selling our proprietary IT products a viable alternative to the proposed ventures.

We currently employ five full-time staff at our executive office located at 2660 Townsgate Road, Suite 300, Westlake Village, California 91361. In addition, we maintain two full-time and seven part-time positions between our properties located in Florida, Arizona, California and New Jersey. These positions are for sales and marketing, distribution and customer service representatives. Our telephone number is (805) 446-1973 and our website address is [www.decisiondiagnostics.com](http://www.decisiondiagnostics.com).

## **Business Development**

We were originally incorporated in the State of Nevada on March 2, 2001 as ATR Search Corporation ( ATR ). In June of 2002, ATR merged with Medicius, Inc. whereby Medicius, at the close of the merger, was to become a wholly-owned subsidiary of ATR. However, because of several issues that arose post-merger, Medicius, Inc., while a subsidiary of ATR, operated its own business. Following the merger, whereby Medicius, Inc. sold certain software assets to ATR, as a part of the merger, these assets became a part of ATR's portfolio of technology and when the Medicius, Inc. assets became commercially ready, the operations were conducted through ATR. The former operations of ATR were conducted through Care Technologies, LLC, a wholly-owned subsidiary of ATR. Under the terms of the merger agreement, the stockholders of Medicius received 412,110 shares of ATR's common stock and 103,028 warrants in exchange for 100% of the outstanding shares of Medicius' common stock. Medicius remained an operating entity from the closing of the merger until September 30, 2007. On August 2, 2002, we amended our Articles of Incorporation to change our name from ATR to CareDecision Corporation. CareTechnologies, LLC was dissolved on May 20, 2003, with CareDecision parent continuing all operations of CareTechnologies. On November 19, 2004, we incorporated two Nevada subsidiary companies, Pharma Tech Solutions, Inc. and PDA Services, Inc. In March 2006, we incorporated an additional Nevada corporation subsidiary, Pharmtech Direct Corp. In May 2008, we incorporated an additional Nevada corporation subsidiary, Decision IT Corp.

In April 2005, we amended our Articles of Incorporation to change our name from CareDecision Corporation to instaCare Corp.

As a part our efforts to transition the company toward a full service and vertically integrated provider of at-home diagnostics, on November 1, 2011, as a condition of the merger of Diagnostics Newco, LLC, from its sole owner, the company completed a name change action through the office of Nevada Secretary of State (NVSOS). The surviving entity is known as Decision Diagnostics Corp. This action through the office of the NVSOS was effective as of November 25, 2011.

## OUR BUSINESS

From April 1, 2005 through November 15, 2009, we focused our business attention towards providing prescription and non-prescription diagnostics, at-home testing and medical/surgical products through several medical distribution channels. Our secondary business objective has been to provide medical information technology (IT) for use with Internet-based communication, and network software systems and applications, that originally resided and functioned through Microsoft Windows CE-Based PDAs (Personal Data Assistants), which are popular and commonly available from most major computer brand name companies such as Sony, Dell, IBM and Palm -to the medical fields and the lodging industries. In May 2009, the company began the port of its technologies and software from then current PDA based products to late generation smart cell phones. This re-development was completed November 12, 2009.

Subsequently the company filed patent applications in February 2010 to secure its latest product developments. Our patent application was published during the month of September 2011. Publication of the patent is the final step before the patent claims are prosecuted with USPTO staff. USPTO staff is currently overwhelmed with IT patent applications, many of which have been put on hold due to various litigation involving individuals and companies who oppose broadly, the granting of IT patents. This litigation was met with challenges made by several software technology companies who had filed patent applications previously and who would have been affected. In the event the Supreme Court not ruled on these matters, patents involving software applications would have been burdened with severe obstacles as companies attempted to secure their proprietary technology and software. In June 2011 the U.S. Supreme Court ruled that, among other things, patents similar in nature to the patent filed by the company could be reviewed by the U.S. Patent and Trademark Office in a similar manner to their pre-2008 practices, thereby making the company's patent prosecution possible. We await the final disposition of our patent application, and each of its 104 proprietary claims, from USPTO.

In May 2010 the company entered into an agreement to distribute, on an exclusive basis, a then new diagnostic product in the developmental stage manufactured by Shasta Technologies, LLC ( Shasta ). This diagnostic product was specifically designed to compete in the \$22.5 billion diabetes testing market and was called Genstrip. Due to delays in the processes that would otherwise have brought this diagnostic product to market, in January 2011, management began negotiations with Shasta to secure a perpetual and exclusive license to the diagnostic product known as Shasta Genstrip, as well as other rights, including management of many of the on-going tasks, including manufacturing forecasts, customer service and the 510(k) regulatory process..

On March 31, 2011 the company came to agreement with Shasta and as a result of this new agreement, memorialized on April 8, 2011 and then again on June 24, 2011, the company now has complete control over the regulatory process, manufacturing forecast process, customer support, and worldwide distribution. The market for at-home diagnostic testing, primarily blood glucose testing by diabetics and suspected diabetics, is estimated to be \$22.5 billion worldwide. The company anticipates achieving significant market share and if successful would become the fifth largest product distribution company in a market where there are over one hundred different product platforms sold, but where four companies control over 83% of the total sales.

The company s business on a day-to-day basis includes the distribution of prescription and non-prescription diagnostics, at-home testing, post-surgical products, and distribution of Shasta Genstrip. In late September 2012 the company, along with representative of the Genstrip contract manufacturer met with the U.S. FDA to iron out any unresolved issues regarding Shasta s 510(k) application. The company received a clearance on the Genstrip 510k on November 30, 2012.

Beginning in November 2009, we introduced our cell-phone centric medical IT products that offer solutions in medical care and management by providing physicians with information at the point of care. Unlike other medical information systems using standard computer terminals or even palm-sized computers (PDA s), our software applications operate on a series of late generation smart e-cell phones including the Apple iPhone, the Palm Pre, the Google Droid, several makes of RIM s Blackberry and many versions of the Microsoft Windows smart phones. Our products allow physicians to access and update their patients histories, medication data, and best care guidelines - *all at the point of care*. The company s Electronic Medical Records software is believed to be the first EMR application running on any palm sized mobile device.

Our business objectives include:

1. The practice of specializing in the distribution of brand-name medical diagnostic and medical disposable products associated with the on-going care of diabetes-inflicted patients and our new proprietary diagnostic product Shasta Genstrip.
- 2.

Combining our newly acquired wholesale and direct to patient drug distribution model with our cell phone centric technologies, creating wholesale and retail ePharmacies similar in function to existing Internet pharmacies but directed to serving the large base of underinsured and uninsured Americans; and

3. Providing medical communication and EMR medical history and storage devices based on networks of smart cell phones These products are believed to provide benefits of on demand medical information to private practice physicians, licensed medical service providers such as diagnostic testing laboratories, and medical insurers. We have created cell phone-centric products and a suite of Internet enhanced software applications that include those features that specifically respond to the requirements of the practicing physician and the regulations currently being promulgated by the Federal government.

We also have adapted our medical communications and EMR technologies to service the real estate management and hotel/motel/convenience industries in their own commercial settings. In March 2010, our Board approved the sale of the company's hotel/motel technologies and business base so we can focus on our core medical IT and medical distribution businesses. We have recently received several inquiries. In the past when we had market focus on the hotel/motel industry, our real estate and hotel/motel objectives include building electronic commerce networks based on personal digital assistants (PDA) and pad based computers to the hotels, motels and single building, multi-unit apartment buildings with a desire to offer local advertising and electronic services to their tenants/guests.

## **Prescription and Non-prescription Diagnostics Distribution**

Our medical distribution business has allowed us to specialize in the distribution of medical diagnostic and medical disposable products associated with the on-going care of diabetes inflicted patients. This decision was made because the treatment and care of diabetes patients is an on-going lifetime process. Included in our current business plan is the distribution of wound care, ostomy and post-surgical products to diabetes-inflicted patients and other parallel markets. We have also entered into a broad-based agreement with Shasta Technologies, LLC where we will have exclusive rights to the Shasta Genstrip diagnostic product and where we anticipate achieving significant market share in the \$22.5 billion annually at-home testing market for chronically afflicted patients, most commonly diabetics. A 1% market share in this market equates to \$225 million in annual revenues.

Specializing in rapid delivery of prescription and non-prescription diagnostic products, we are in the final stages of augmenting our distribution business by creating a nationwide network. Through a proprietary use of the Internet, we have completed a pharma distribution management system that allows our mail order pharmacy to begin the servicing of the 30+ million Americans who are either uninsured or underinsured. Since 2005 one of our target markets has been the same patient base targeted by the national healthcare reform legislation signed into law. In that regard, we have a head start and expect to reap rewards in the months ahead. The lower cost of Genstrip makes for a good match for the company in the new competitive bidding and forced cost cutting landscape.

Our medical distribution efforts are directed towards practitioners who treat long-term care patients, the uninsured and underinsured. This concept already has enlisted organizations that manage or finance the indigent practices of more than 2,500 doctors. We have established our fulfillment centers to service these uninsured and underinsured patients in Phoenix, Arizona, and most recently, Houston, Texas. We have also secured, through a strategic partnership the use of a retail prescription license to transact prescription fulfillment in Arizona. We have also partnered with eight pharmacies, piggybacking our business model onto their licenses for the distribution of medical and pharmaceutical products.

By using wireless technology to link our centrally located prescription and non-prescription diagnostics distribution centers are positioned to bring economic and administrative efficiencies to the projected \$8 billion marketplace for delivering prescriptions to the uninsured and underinsured.

The at home testing and direct to patient diagnostics markets include millions of existing patients that are often subsidized or funded by government benefits. Yet, for all of these subsidies many cannot afford the deductible costs of at-home testing products. For us, this is a developing enterprise moving forward to take advantage of the tremendous opportunity created by the national healthcare reform signed into law, but even more importantly, the changes created by the forced cost cutting.

## **Prescription and Non-prescription Diagnostics**

The prescription and non-prescription diagnostics business is often subsidized or funded by government benefits, this business model being popularized even before the recent healthcare reform laws. With the advent of what is known as Medicare Part D in 2006, the entire direct to patient service market seems to be aggressively moving to take advantage of the tremendous opportunity in direct to patient solutions via direct mail order distribution of prescription and non-prescription diagnostics and related products/supplies. There are many market leaders in these endeavors. However, the most aggressive participant is Wal-Mart, with their \$4 generic prescription plan. The company's subsidiary Pharma Tech Solutions, Inc. has executed a Supplier Agreement with Wal-Mart for their sale of the new Shasta Genstrip product.

Through our acquisition of Care Generation, Inc. we originally acquired a retail mail order business concept for the distribution of pharmaceutical and healthcare supplies. We have focused our distribution activities to patients who lack prescription drug coverage and patients who qualify for government or institutional programs such as Medicare, Medicaid, children's health insurance programs and long-term care institutions and organizations.

Our retail prescription business maintains three operating units:

1. Licensed wholesale prescription drug distribution business, where we deliver bulk prescription drugs on a wholesale basis to clients;
2. Licensed distribution of diabetes diagnostics and supplies, where we deliver diabetic testing strips and associated diagnostic products under several business models; and
3. Internet pharmacy/prescription fulfillment, which we are cautiously, entering.



Our plan is to combine the wholesale and direct to patient distribution businesses and couple these businesses with the capabilities to connect physicians, using our smart cell phone technologies, creating wide-ranging ventures similar in function to existing Internet pharmacies but directed to serving the large base of institutionalized, underinsured and uninsured Americans through their physicians.

### **Prescription and Non-prescription Diagnostics Methods**

To augment our drug distribution efforts our subsidiary Pharma Tech Solutions, Inc. entered into a series of strategic partnerships with pharmacies in throughout the state of Arizona. Through these strategic partnerships we have eliminated the need to expend our capital resources building what would have amounted to duplicate pharma distribution facilities. The strategic partnership model has met and exceeded our expectations and in April 2009, we expanded the Arizona model and entered into a strategic partnership with pharmacies and licensed durable medical goods distributors in the states of California, Maryland and Michigan.

### **Medical Field Applications**

Our medical technologies are grounded in the central need/desire to furnish the practicing physician with crucial point-of-care patient information and historical patient medical information using electronic medical records rapidly and reliably via a smart cell phone. The technologies utilize the power of the Internet to move large amounts of data to and from a variety of platforms securely via a number of commercially available smart cell phones, designed for portability and upgradeability. Compliant with the Health Insurance Portability and Accountability Act of 1996 ( HIPAA ) and the regulations that have since been promulgated, this smart cell phone technology offers real-time point of care applications and EMR via proprietary technologies that allow for patient medical data for ten years or more on the cell phone itself.

Our software is designed to integrate point of service applications. Our medical appliance, the longest available product, monitors treatment protocols and up to the moment patient histories coupled with real-time on-line medical insurance claims submission. Our ultimate key to success resides in providing the private practice physician with the capability to, sequentially, learn about the history of the patient during, or prior to, entering the examining room, treat the patient and update the insurer of the episode of care. Accomplishing these objectives resolves a major dilemma for the health care provider; instantaneous communication of vital patient related information at or before the patient encounter.

### **Medical field distribution methods**

Since inception, we have and will continue to focus our marketing efforts towards general medical and pharmaceutical medical applications through our E-Health and EMR smart cell phone information appliance ) software application package, and a permanently affixed handheld information appliance and commercial national cell phone network. Specifically we have marketed our line of MD@Hand smart cell phone-based medical communication network products to the medical insurance and pharmacy benefits management segments of the healthcare markets.

We have implemented a targeted marketing campaign to educate healthcare providers about our medical technology solutions; targeting the physician providers who specialize in care for the indigent through the provision of technology, products and services that specifically respond to the needs and requirements of that market. We market our suite of medical software products by emphasizing their simplicity, portability, convenience and ease of use. We have chosen this focus due in part that state Medicaid and state and local welfare service providers are agencies who do not typically participate in electronic services networks. This is primarily because care for the poor and indigent is logistically and financially burdensome due to a lack of resources at administrative levels. Put another way, there is usually no shortage of volunteer physicians but there is a shortage of program administrators, clinics, medical supplies and patient access. Additionally, we believe that a company that enters this loop to complete the link by providing utility and value to participants will be embraced. It is incumbent on us to therefore extend our marketing strategy to facilitate this reality.

Implicit to our medical marketing strategy is the contracting of state Medicaid and welfare programs, pharmacy benefit management entities, and medical case management entities within a targeted region that provides for system integration to our products and services. Once the network has been established our IT driven mail order pharmacy services will be distributed to those physicians included within the Medicaid or welfare agency Provider Network. We will rely on those contracted agencies to support and assist in the distribution of the product to the physicians.

## **Medical field competition**

The medical industry is highly competitive in the attraction and retention of physician customers, insurers, government agency payers /sponsors and other medical providers. The number of competing companies and the size of such companies vary in different geographic areas. Generally, we are in competition with other smart cell phone technology companies that offer medically related software suites, with the most effective competition coming from companies that possess greater capital resources, have longer operating histories, larger customer bases, greater name recognition and significantly greater financial, marketing and other resources than do we.

There are a number of small and large companies that provide some type of IT services at the point of care tying physicians to the healthcare systems. There is substantial turnover and business failure in this industry as well as substantial consolidation:

1.

Large publicly traded companies.

2.

PDA technology-based companies.

These companies, and others, offer products and services similar to ours: only delivering older PDA based data management to physicians.

There can be no assurance that we will be able to compete successfully against current and future competitors, and competitive pressures faced by us may have a material adverse effect on our business, prospects, financial condition and results of operations. Further, as a strategic response to changes in the competitive environment, management may from time to time make certain pricing, service or marketing decisions or acquisitions that could have a material adverse effect on our business, prospects, financial condition and results of operations.

*Advancing the Practice of Medicine at the Point of Care*

We are also a developer of products that offer unique solutions in medical care and management by providing physicians with essential information instantaneously as they meet with their patients. Unlike other medical information systems using standard computer terminals, we use smart cell phones as the information delivery vehicle that allow physicians to carry access and update their patients' histories (EMR), medication data, and best care guidelines *all at the point of care* streamlining and revolutionizing the practice of medicine.

In addition, we market our *MD@Hand™* and *MD@Work™* software application, which also leverages the connectivity of smart cell phone devices via the Internet. This first-in-class smart cell phone software application offers the user access to job specific information (I.E. patient histories or databases), instant messaging, and prescription fulfillment for pharmacists. Our versatile, smart cell phone-based software application is also used in other, information-intensive industries.

Our proprietary *ResidenceWare™* is a similar collection of Internet-enhanced communication, integration, and networking tools developed for the real estate marketplace in cooperation with prominent commercial and residential real estate management companies. Numerous sales professionals, lodging managers and hoteliers currently use the software to access such information as tenant histories and property databases, as well as for instant messaging directly with occupying tenants. In March 2010 the company's Board of Directors authorized the sale of the ResidenceWare technologies and customer list.

#### MD@Hand and MD@Work

Information supplied to and from the physician via the smart cell phone device includes:

#### *Case/Episode diagnosis and Treatment Information:*

Episode by episode multiple diagnosis and physician chosen treatment pathways

Patient cumulative treatment (electronic medical record) histories, including hospitalizations and histories from patient encounters with other physicians

Eight levels best care medical protocols

Tentacle links to the physician desktop reference (PDR) and prescription drug databases



*Medical Order Entry and Fulfillment:*

Full Pharmacy Benefits Management programs with electronic script writing with drug formulary and drug to drug interaction checks prior to script transmission

Lab Order Entry with complete reporting including results, pending, ticklers, out of limits, historical, summary, etc.

Accident/Worker's Compensation intervention modules. In addition, our software applications provide both on-line and off-line (fax) order entry.

*Payer-Related Applications*

Plan and Procedure Eligibility

Procedure/Drug Authorization

Patient Referral

Hospitalization Admit Decision Tree and schema.

*Benefit for Physicians*

All access to medication and drug data, interaction databases and formulary information is provided free of charge to all participating physicians via the smart cell phone through Decision Diagnostics' network

Lowers office costs by centralizing all formulary and prescription m

Medical data on one or multiple smart cell phones and by reducing paperwork and phone time

Improves quality of care by providing timely information including *Best Care Guidelines* to help assure an excellent standard of care

Improves office workflow by providing a compendium of prescription, lab results, referable physicians

Reduces time pulling and refilling charts reduces errors by offering immediate access to drug data, current formulary tables, lab results and *Best Care Guidelines*

*Benefit for Health Plans*

High degree of formulary compliance

Expedites claims and Improves outcomes

Helps in creating excellent standard for quality healthcare for all patients

Reduces cost of operations in many ways (i.e.: cutting down paperwork and phone support)

Reduces errors

Assures correct utilization of resources

**Source of Principal Suppliers**

Our suite of software that runs and manages medical applications is proprietary code and does not require raw materials or principal suppliers. Our software is utilized through over-the-counter smart cell phones and computer products, as previously discussed. We employ a proprietary microchip with laser imbedded patient data to store on smart cell phones, offering a physician current and historical information on his/her patients for ten years or more.

Our applications run on smart phones manufactured by Apple, Palm, Motorola, Samsung and many more.

## **Dependence on a Few Major Customers**

We generated revenues primarily through our medical prescription and non-prescription pharmaceutical distributions from six companies. We maintain strategic relationships with these companies whereby these companies place orders and then we service these orders and supply product directly to the patients and/or those entities where the patients reside. We then accept assignment for the billing and future servicing of these patients. We maintain relationships with these original five resellers but have also added twelve additional customers and books of business with institutional care clients whereby we sell product and then receive revenues from the direct filing of reimbursement claims with medical insurance companies. In the future, we expect the majority of the growth in our business to come as a direct result of our direct to patient distribution.

## **Government Approval and Effect on Us**

### Medical applications

Recent government and industry legislation and rulemaking, especially the 2010 Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act and Health Insurance Portability and Accountability Act of 1996 ( HIPAA ), and industry groups such as the Joint Commission on Accreditation of Healthcare Organizations ( JCAHO ), require the use of standard transactions, standard identifiers, security and other standards and requirements for the transmission of certain electronic health information. New national standards and procedures under HIPAA include the Standards for Electronic Transactions and Code Sets (the Transaction Standards ); the Security Standards (the Security Standards ); and Standards for Privacy of Individually Identifiable Health Information (the Privacy Standards ). The Transaction Standards require the use of specified data coding, formatting and content in all specified Health Care Transactions conducted electronically. However, because all HIPAA Standards are subject to change or interpretation and because certain other HIPAA Standards, not discussed above, are not yet published, we cannot predict the future impact of HIPAA on our business and operations. Additionally, certain state laws are not pre-empted by the HIPAA Standards and may impose independent obligations upon our customers or us.

Failure to comply with HIPAA, as well as other government organizations, may have a material adverse effect on our business. Government regulation of healthcare and healthcare information technology, are in a period of ongoing change and uncertainty and creates risks and challenges with respect to our compliance efforts and our business strategies. The healthcare industry is highly regulated and is subject to changing political, regulatory and other influences. Federal and state legislatures and agencies periodically consider programs to reform or revise the United States healthcare system. These programs may contain proposals to increase governmental involvement in healthcare or otherwise change the environment in which healthcare industry participants operate. Particularly, compliance with HIPAA and related regulations are causing the healthcare industry to incur substantial cost to change its procedures. Healthcare industry participants may respond by reducing their investments or postponing investment decisions, including investments in our products and services. Although we expect these regulations to have the beneficial effect of spurring adoption of our software products, we cannot predict with any certainty what impact, if any, these and



future healthcare reforms might have on our business. Existing laws and regulations also could create liability, cause us to incur additional cost or restrict our operations.

Specific risks include, but are not limited to, risks relating to:

*Electronic Prescribing:* The use of our software by physicians to perform a variety of functions, including electronic prescribing, electronic routing of prescriptions to pharmacies and dispensing, is governed by state and federal law. States have differing prescription format requirements, which we have programmed into our software. Many existing laws and regulations, when enacted, did not anticipate methods of e-commerce now being developed. While federal law and the laws of many states permit the electronic transmission of prescription orders, the laws of several states neither specifically permit nor specifically prohibit the practice. Given the rapid growth of electronic transactions in healthcare, and particularly the growth of the Internet, we expect the remaining states to directly address these areas with regulation in the near future. It is possible that aspects of our MD@Hand software tools could become subject to government regulation. Compliance with these regulations could be burdensome, time-consuming and expensive. We also could become subject to future legislation and regulations concerning the development and marketing of healthcare software systems. These could increase the cost and time necessary to market new services and could affect us in other respects not presently foreseeable. We cannot predict the effect of possible future legislation and regulation; and,

Medical Devices: The United States Food and Drug Administration (the FDA) has promulgated a draft policy for the regulation of computer software products as medical devices under the 1976 Medical Device Amendments to the Federal Food, Drug and Cosmetic Act. To the extent that computer software is a medical device under the policy, we, as a manufacturer of such products, could be required, depending on the product, to:

register and list our products with the FDA;

notify the FDA and demonstrate substantial equivalence to other products on the market before marketing such products; or

obtain FDA approval by demonstrating safety and effectiveness before marketing a product.

Depending on the intended use of a device, the FDA could require us to obtain extensive data from clinical studies to demonstrate safety or effectiveness, or substantial equivalence. If the FDA requires this data, we would be required to obtain approval of an investigational device exemption before undertaking clinical trials. Clinical trials can take extended periods of time to complete. We cannot provide assurances that the FDA will approve or clear a device after the completion of such trials. In addition, these products would be subject to the Federal Food, Drug and Cosmetic Act's general controls, including those relating to good manufacturing practices and adverse experience reporting. Although it is not possible to anticipate the final form of the FDA's policy with regard to computer software, we expect that the FDA is likely to become increasingly active in regulating computer software intended for use in healthcare settings.

Anti-Kickback Regulation: As a distributor of prescription drugs along the distribution chain that ultimately supply physicians, we are subject to the federal anti-kickback statute, which applies to Medicare, Medicaid and other state and federal programs. The statute prohibits the solicitation, offer, payment or receipt of remuneration in return for referrals or the purchase, or in return for recommending or arranging for the referral or purchase, of goods, including drugs, covered by the programs.

Licensure and Prescription Drug Distribution: As a distributor of drugs, we are subject to regulation by and licensure with the Food and Drug Administration (FDA), the Drug Enforcement Agency (DEA) and various state agencies that regulate wholesalers or distributors. We are subject to periodic inspections of our facilities by regulatory authorities, and adherence to policies and procedures for compliance with applicable legal requirements.

Currently, we do not bear any costs or any effects regarding compliance with environmental laws (federal, state, and local).

American Recovery and Reinvestment Act of 2009: The American Recovery and Reinvestment Act of 2009 stimulus funding of 2009, has allocated \$20 billion for healthcare IT investment. Some of this funding will provide direct incentives to physicians and hospitals and should ensure aggressive implementation of new patient information systems starting in 2011. Spending on Decision Diagnostics type of advanced health information technology is anticipated to be greatly expanded due to the ARRA of 2009 increasing our market potential.

## **Personnel**

We currently employ five full-time employees in California and Arizona and five sales and service representatives. No full-time employees are covered by labor agreements or employment contracts.

## **IT Patents, Proprietary Rights and Licenses**

On February 26, 2010 we filed a full utility patent application, Management and Communications System and Method, Serial No. 13,034,639. The patent application covers one hundred four (104) separate processes and encompasses the method, system and apparatus of our software technology and the integration of our software technology into commercial computer networks through commercial smart cell phone devices. In September 2011, the USPTO published our patent application. We expect approval in 2013. Given that our patent application lists a substantial number of claims, the company felt it prudent to engage counsel to prosecute any of these claims against persons and entities that have breached our patent. The company has created an asset pool for the purpose of prosecuting any claims that may arise as a result of our patent approval. Claims prosecution is standard fare for high technology companies.

Our MD@Hand and MD@Work systems allow for patient information to be gathered from multiple authorized sources and then this information is provided at the point-of-care, and coordinated and compared with prescription formulary compliance, medical services providers and their payers , and multiple-rules based treatment plans provided by various sources (content). Patient case and episode information and care management, in coordination with the implementation of substantially paperless ordering and fulfillment of lab tests, prescriptions and referrals, is made available to attending health care professionals and support personnel via networked computer systems and smart cell phone systems running our proprietary software methods. The inventive system includes, in seamless essentially real-time communication over the Internet, a network of fully secure private sub-networks among the participants in the system. A suite of software applications, including medical, communications and database applications are resident on each smart cell phone, and communications modules resident in the system automatically link to the network via the cell phones networks, which seamlessly connect to the Internet to update those databases by a novel packet transmission method to maintain confidentiality of the transmitted information.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None

#### **ITEM 2. PROPERTIES.**

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 \$4,140 per month on a month-to-month basis.

#### **ITEM 3. LEGAL PROCEEDINGS.**

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 new Shasta Genstrip product required initial regulatory approval by the USFDA as well as on-going USFDA approvals during the product life cycle. Further, Shasta Genstrip required medical patient trials and will compete directly with a major platform manufacturer.

Healthcare, especially those segments where the company competes, is a very litigious. The medical industry is also intertwined. From time to time, we may become involved in claims and litigation that arise out of the normal course of business, such as litigation that emerges from disputes over damaged, missing or contaminated product. We may also become involved in disputes that arise over the business or business practices of our suppliers, payers and customers.

The company maintains substantial insurance coverage against suits that may arise over issues of damaged, recalled or counterfeit product and other product liability issues. In addition, the company accrues contingent legal fees and product liability fees. The accrual totaled \$170,069 and \$205,500 for the years ended December 31, 2012 and 2011, respectively.

From time to time, the company may also be subject to demands from individuals or entities. These demands and disputes may consume management time and company resources. Other than as noted below there are no pending matters at the current time that in management's judgment may be considered potentially material to us.

**Matters concerning Lifescan Scotland, LLC , Lifescan, Inc. and Johnson and Johnson Inc. vs. Shasta Technologies LLC, InstaCare Corp. (now known as Decision Diagnostics Corp.), Pharma Tech Solutions, Inc. et al.**

On September 9, 2011, Lifescan Scotland, Ltd. ( Lifescan ) brought suit against Shasta Technologies, LLC (Shasta), InstaCare Corp. (now known as Decision Diagnostics Corp.), Pharma Tech Solutions, Inc., and Conductive Technologies, Inc. in the United States District Court, Northern District of California, Case # 5:11cv04494 ( the Patent Case ), alleging infringement of U.S. Patent Nos. 5,708,247 and 6,241,862 and seeking injunctive relief and damages. InstaCare Corp. (now known as Decision Diagnostics Corp.) and Pharma Tech Solutions answered the complaint, denying all of its material allegations and asserting a number of affirmative defenses. On December 10, 2012, Lifescan amended its complaint to also allege infringement of U.S. Patent No. 7,250,105. InstaCare Corp. (now known as Decision Diagnostics Corp.) and Pharma Tech Solutions, Inc. are entitled to be indemnified by Shasta as additional insureds on Shasta's IP policy; the legal fees associated with our defense have been and are being paid by this policy. The companies also carry insurance and have demanded a defense from their own carriers. Since this suit remains unresolved, management intends to vigorously defend this lawsuit.

On December 14, 2012, Lifescan Inc. and its parent company (Johnson and Johnson, Inc.) filed suit against Shasta Technologies, LLC (Shasta), InstaCare Corp. (now known as Decision Diagnostics Corp.), Pharma Tech Solutions, Inc., and Conductive Technologies, Inc. in the United States District Court, Northern District of California, Case # 3:12cv06360 ( the Trademark Case ). This separate suit concerning all of the same parties as the Patent Case alleges Trademark Infringement under the federal Lanham Act. InstaCare Corp. (now known as Decision Diagnostics Corp.) and Pharma Tech Solutions, Inc. have made a claim against their insurance policies for a defense, as has Shasta Technologies, LLC. Since this suit remains unresolved, management intends to vigorously defend this lawsuit. On April 8, 2013 the court on its own motion stayed the Trademark Case.

On March 19, 2013, the trial judge in the Patent Case granted a motion brought by Plaintiffs for a Preliminary Injunction concerning the 105 patent. On March 22, 2013, Defendants filed their Notice of Appeal with the United States District Court, Northern District of California. And on March 25, 2013, Notice of Appeal was filed with the United States Court of Appeals for the Federal Circuit in Washington, DC. On March 26, the Court of Appeals for the Federal Circuit accepted the companies Notice as Case # 13-1271 and set an expedited briefing calendar that began on April 12, 2013. In addition, the companies filed motions in both the District and Appellate courts to stay the Preliminary Injunction, pending the outcome of the appeal.

On March 28, 2013, InstaCare Corp. (now known as Decision Diagnostics Corp.) and PharmaTech Solutions, Inc. filed antitrust counterclaims against LifeScan, Inc. and LifeScan Scotland Ltd. (collectively, "LifeScan") in the Patent Case. These counterclaims assert violations of the Sherman Antitrust Act, which carry with them, if successful, awards of treble damages, attorneys' fees, and injunctive relief. Decision Diagnostics Corp. and Pharma Tech Solutions, Inc. allege that the LifeScan parties, which are subsidiaries of pharmaceutical giant Johnson & Johnson, have violated both Sections 1 and 2 of the Sherman Act. Section 1 makes illegal every "contract, combination ... or conspiracy in restraint of trade." Section 2 forbids monopolization and attempts to monopolize a product market. Decision Diagnostics Corp. and Pharma Tech Solutions, Inc. allege in their counterclaims that both prongs of the Act have been violated, by among other things, LifeScan's instituting of baseless patent litigation against Decision Diagnostics Corp. and Pharma Tech Solutions, Inc. intended to exclude the Shasta GenStrip from competing in a market dominated by LifeScan.

**ITEM 4. (REMOVED AND RESERVED)**

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.****(a) Market Information**

Our Common Stock traded sporadically on the over-the-counter bulletin board market (OTCBB) through January of 2011 and currently trades on the OTCQB under the symbol DECN. Our common stock has traded infrequently on the OTCQB, which limits our ability to locate accurate high and low bid prices for each quarter within the last two fiscal years. Therefore, the following table lists the available quotations for the high and low bid prices for the fiscal years 2012 and 2011. The quotations from the OTC Bulletin Board reflect inter-dealer prices without retail mark-up, markdown, or commissions and may not represent actual transactions.

		2012			2011			
		High	Low		High	Low		
1 <sup>st</sup> Quarter	\$	0.30	\$	0.15	\$	1.12	\$	0.57
2 <sup>nd</sup> Quarter	\$	0.30	\$	0.10	\$	0.76	\$	0.25
3 <sup>rd</sup> Quarter	\$	0.25	\$	0.07	\$	0.61	\$	0.17
4 <sup>th</sup> Quarter	\$	0.17	\$	0.08	\$	0.65	\$	0.10

**(b) Holders of Common Stock**

As of February 14, 2013, there were approximately 848 holders of record of our Common Stock and 14,406,351 shares outstanding. As of February 14, 2013, the closing price of our shares of common stock on the OTCQB (formerly known as OTCBB) was \$0.185 per share.

**(c) Dividends**

In the future we intend to follow a policy of retaining earnings, if any, to finance the growth of the business and do not anticipate paying any cash dividends in the foreseeable future. The declaration and payment of future dividends on the Common Stock will be the sole discretion of board of directors and will depend on our profitability and financial condition, capital requirements, statutory and contractual restrictions, future prospects and other factors deemed relevant.

**(d) Securities Authorized for Issuance under Equity Compensation Plans**

***2004 Stock Option Plan***

Effective April 21, 2004, we adopted the 2004 Stock Option Plan, as amended, with a maximum number of 450,893 shares that may be issued. We have granted a total of 398,104 options under this plan all of which have been exercised. As of December 31, 2012, 52,789 options remain available for issuance under this plan.

***2005 Merger Consolidated Stock Option Plan***

Effective February 5, 2005, we adopted the 2005 Merger Consolidated Stock Option Plan. The maximum number of shares that may be issued pursuant to the plan is 80,357 shares. We have granted a total of 77,307 options under this plan of which 63,021 options have been exercised or expired and 14,286 are exercisable. As of December 31, 2012, 3,050 options remain available for issuance under this plan.

***2006 Business Development Stock Option Plan***

Effective December 8, 2006, we adopted our 2006 Employee Stock Option Plan as amended with a maximum number of 16,821,429 shares that may be issued. We have granted a total of 9,529,847 options under this plan of which 3,691,582 have been exercised or expired. As of December 31, 2012, 9,529,847 options remain available for issuance under this plan.

Our Stock Option Plans are intended to encourage directors, officers, employees and consultants to acquire ownership of common stock. The opportunity so provided is intended to foster in participants a strong incentive to put forth maximum effort for our continued success and growth, to aid in retaining individuals who put forth such efforts, and to assist in attracting the best available individuals to the Company in the future.



Officers (including officers who are members of the board of directors), directors (other than members of the stock option committee to be established to administer the stock option plans) and other employees and consultants and its subsidiaries (if established) will be eligible to receive options under the stock option plans. The committee will administer the stock option plans and will determine those persons to whom options will be granted, the number of options to be granted, the provisions applicable to each grant and the time periods during which the options may be exercised. No options may be granted more than ten years after the date of the adoption of the stock option plans.

Non-qualified stock options will be granted by the committee with an option price equal to the fair market value of the shares of common stock to which the non-qualified stock option relates on the date of grant. The committee may, in its discretion, determine to price the non-qualified option at a different price. In no event may the option price with respect to an incentive stock option granted under the stock option plans be less than the fair market value of such common stock to which the incentive stock option relates on the date the incentive stock option is granted.

Each option granted under the stock option plans will be exercisable for a term of not more than ten years after the date of grant. Certain other restrictions will apply in connection with the plans when some awards may be exercised. In the event of a change of control (as defined in the stock option plans), the date on which all options outstanding under the stock option plans may first be exercised will be accelerated. Generally, all options terminate 90 days after a change of control.

***2012 Executive and Key Man/Woman Stock Option Plan***

Effective October 22, 2012, we adopted the 2012 Executive and Key Man/Woman Stock Option Plan. The maximum number of shares that may be issued pursuant to the plan is 5,000,000 shares. We have granted a total of 5,000,000 options under this plan of which all are exercisable. As of December 31, 2012, no options remain available for issuance under this plan.

The following table sets forth information as of December 31, 2012 regarding outstanding options granted under the plans, warrants issued to consultants and options reserved for future grant under the plan.

<b>Number of share to be issued upon exercise of</b>	<b>Weighted- average exercise price of outstanding options, warrants</b>	<b>Number of shares available for future issuance under</b>
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<b>Plan Category</b>	<b>outstanding options, warrants and rights  (a)</b>	<b>and rights  (b)</b>	<b>equity compensation plans (excluding shares reflected in column(a)) (c)</b>
Equity compensation plans approved by shareholders	-	\$ -	-
Equity compensation plans not approved by shareholders	8,614,286	\$ 0.10	9,585,686 <sup>(1)</sup>
Total	8,614,286	\$ 0.10	9,585,686

**(1)**

Includes 52,789 options remaining for issuance under the 2004 Option Plan, 3,050 options remaining for issuance under the 2005 Option Plan, and 9,529,847 options remaining under the 2006 Option Plan.

## Recent Sales of Unregistered Securities

On January 18, 2012, we issued 53,354 shares of our restricted common stock to an individual, Mr. Andrew Edenbaum, for the settlement of debt valued at \$17,500. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

On March 5, 2012, we issued a total of 150,000 shares of our restricted common stock to three service providers in exchange for investor relations services valued at \$28,500. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

During the year ended December 31, 2011, we issued a total of 238 shares of our restricted common stock to Alpha Credit Resources for 2012 financing fees valued at \$36 in connection with our line of credit. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

During the year ended December 31, 2012, we issued 885,000 shares of our restricted common stock to Alpha Credit Resources upon their election to convert 63,200 preferred series E shares into common stock. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

On November 8, 2012, we issued 400,000 shares of our restricted common stock to Curing Capital, Inc. for services valued at \$27,440. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

On November 13, 2012, we issued 250,000 shares of our restricted common stock to two consulting firms, services performed in connection with our business development activities. The fair value of the services totaled \$67,500. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

On December 21, 2012, we authorized the issuance of 1,140,000 shares of our restricted common stock for cash in totaling \$114,000 or \$0.10 per share. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

### **Issuer Purchases of Equity Securities**

We did not repurchase any of our equity securities during the years ended December 31, 2012 or 2011.

### **ITEM 6. SELECTED FINANCIAL DATA.**

Not applicable.

### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

#### **Overview**

Decision Diagnostics Corp. is a nationwide prescription and non-prescription diagnostics and home testing products distributor. The U.S. FDA, in a manner similar to prescription drugs, regulates diagnostic test kits and at-home patient testing products similarly to the regulation of prescription medicine. The company has, since 2005, contracted with independent pharmacies for use of their prescription drug distribution licenses. However, the products we currently distribute, for the most part, do not require a doctor's prescription for anything other than insurance benefit compliance. Our business model works well in this regulated environment.

Our subsidiaries, Pharma Tech Solutions, Inc. and PDA Services, Inc. operate in several healthcare products distribution channels. We distribute brand name prescription and non-prescription diagnostics products, as well as several lines of ostomy, wound care and post-surgery medical products. We have also continued to ready the

company, to introduce a proprietary diagnostic product, the Shasta Genstrip, for at-home testing of blood glucose. The U.S. FDA cleared the Shasta Genstrip product for sale in the U.S. on November 30, 2012. The worldwide market for at-home blood glucose testing is an estimated \$22.5 billion. Shasta Genstrip competes directly with one of the largest worldwide platform manufacturer for at-home blood glucose testing, a product currently used daily by over 3 million diabetes afflicted Americans. In addition, since the medical device employed by this legacy platform manufacturers, Genstrip also competes in the overall at-home testing market by offering an economical solution to former users of the legacy platform providers product. In that regard, Genstrip is unique as a major business focus is directed toward diabetics who have changed platforms due to escalating prices.

Throughout 2012 in anticipation of the introduction of Genstrip, which received clearance from U.S. FDA on November 30, 2012, we have evaluated our brand-name distribution model, a model that provides streams of revenue but extremely low profit margins, and over the course of the last 15 months we have phased out sales of those brand name products that have been a backbone of our current distribution business but provide low profit margins, if any at all, and will, in the future, compete directly with our Shasta Genstrip. Phasing out these products lowered our order intake by approximately \$12,750,000 in FY2012 .

The company will continue to direct its marketing efforts to ambulatory and semi-ambulatory older Americans afflicted with diabetes and complications caused by diabetes and old age. The company, originally a medical IT company with proprietary IT product lines, acquired its medical products distribution business in late 2004 through a merger with Phoenix, Arizona based CareGeneration, Inc. We have grown the original CareGeneration business through subsequent acquisitions of private businesses and strategic partnerships with larger private pharmacies.

On November 1, 2011 we completed the acquisition of Diagnostic Newco LLC from its owner Kimberly Binder. Diagnostic Newco LLC is a design company that specializes in product packaging design, medical products advertising design and graphic art. Ms. Binder has joined the staff of the company s Pharma Tech Solutions, Inc. subsidiary and has worked closely with the contract manufacturer for Genstrip, making subtle changes to packaging design among other responsibilities. She will also be responsible for the package design for new diagnostic products the company is currently working on. Ms. Binder is also owner of GenstripDirect, LLC, her own distribution company.

We also intend to acquire additional private companies, focusing on small engineering companies that have developed technology requiring either regulatory approval, distribution or both. In December 2011 we made another small acquisition, to acquire the services of Mr. Patrick DiParini. We are moving quickly to achieve our goal of becoming a vertically integrated, full service value added provider of products and services to an ever-growing market. The at-home diabetes testing market continues to grow as diabetics continue to be diagnosed. The market for diabetes testing products is expected to grow from a current \$22.5+ billion worldwide base in 2010 to over \$32 billion in 2017.

The company's current proprietary product offering, approved by the FDA for commercial distribution on November 30, 2012, is the Shasta Genstrip blood glucose diagnostic test strip for at-home testing. Shasta Genstrip is a product conceived and designed by Shasta Technologies LLC, and fits into a diagnostic product niche and will sell into the world-wide self-test (home test) market that is expected to grow to \$32 billion worldwide by 2017. Since Genstrip is a unique offering, employing a razor blade only model (diagnostic test strip) into a razor (diagnostic meter)-razor blade (diagnostic test strip) market, the Genstrip 510(k) application presented some unusual challenges for the FDA and an educational challenge/opportunity for the company. Since the company plans additional similar products in the future for other diagnostic platforms, the Genstrip experience, however slow and unresponsive it was, has provided lessons and experience.

Two years (and growing) is a standard development to market timeline for in-vitro diagnostic products similar to Genstrip. As a result of previous delays by Shasta Technologies in completing its FDA approval application [510(k)] and then problems Shasta encountered in prosecuting its original application with FDA staff, the company changed its contractual responsibilities and obligations in June 2011 to include program management, regulatory process management, management of the manufacturing forecasting and distribution processes, and new products planning and development.

In June 2010 the company was approached by the largest retailer in the world for the distribution and sale of Genstrip at over 5,000 retail stores worldwide. A contract with this retailer was negotiated in September 2010 and subsequently renegotiated and renewed in April 2011, and as soon as the retail contract was agreed to and as a means to conduct market research, the company began seeking pre-conditioned letters of intent (pre-orders) for Genstrip, while continuing the prosecution of the 510(k) application before the FDA. During this process it became clear that initial market interest in Genstrip outstripped the initially available manufacturing capacity. Thus the company quickly ended its pre-order initiative. Management is confident that there is a very large market available for Genstrip. Currently that market is dominated by four large pharmaceutical manufacturers who provide very similar and equally focused products, selling at essentially equal prices. Genstrip's introduction should not only allow the company to achieve market share but because of the business model to be employed by Genstrip is different than those models employed by the major market players, the company may be able to change the market, lowering average price or allowing for increased testing by diabetics for a lesser price, thereby affecting all market segments.

We also offer information technology solutions in several medical care market channels by providing physicians with information at the point of care. Our products, unlike those from many other medical information companies, make use of smart cell phones such as the Apple iPhone, the Palm Pre, the Google Droid and a wide selection of Microsoft Windows based smart phones and operate in either in a wireless or wired mode, which allow physicians to carry,

access and update their patients' histories, also known as electronic medical records or EMR, medication data, and best care guidelines - *all at the point of care*, or from any other location the physician may be located. In addition, the company's products employ proprietary mathematical game theory features adapted by the company for medical use that allow acceptance of diagnoses and treatment protocols where the medical information may have originated from one or several locations and one time or several times.

On February 26, 2010 we filed a full utility patent application, Management and Communications System and Method, Serial No. 13/034,639. The patent application covers one hundred four (104) separate processes and encompasses the method, system and apparatus of our software technology and the integration of our software technology into commercial computer networks through commercial smart cell phone devices. In September 2011, the USPTO published our patent application. In April 2011 the patent reached the prosecution stage with the USPTO. We expect approval in a matter of a few months. Given that our patent application lists a substantial number of claims, and that the company's technologies are truly unique, we felt it prudent to engage counsel to prosecute any of these claims against persons and entities that may have or will in the future breach our patent. The company has created an asset pool for the purpose of prosecuting any claims that may arise as a result of our patent approval. Claims prosecution is standard fare for high technology companies.

We have entered into nine partnerships with freestanding pharmacies and Durable Medical Goods distributors in the states of New York, Maryland, New Jersey, Texas and Arizona. We believe that we will be able to provide value added services to our customers by cost reductions brought about by increased efficiencies and cross marketing opportunities.



We have received multiple inquiries from companies interested in perhaps collaborating with the company for the implementation of its cell phone centric technologies MD@Hand and MD@Work. However, the market available for products similar to MD@Hand and MD@Work has changed since its introduction in 2009. The legal challenges to the new health care law and the federal government's inability to enact regulations have altered the landscape, again. We remain in discussions with multiple concerns for the marketing of our MD@ products, and any agreement we may enter will require us to provide contract software programming, providing a new source of revenue for the company.

In addition to any proposed partnerships, we continue to discuss alternative propositions with other interested companies ranging from clinical laboratories, service organizations owned or aligned with medical health insurers, a medical content provider and legacy healthcare systems companies. There remains sustained interest in our MD@ products and technology. All of our discussions are with companies much larger than Decision Diagnostics. We may or may not entertain additional proposed partnerships for our implementation of the cell phone centric technologies, which has been hindered, as has the overall market, by the slow implementation of regulations, protocols and data formats by the Federal government, as well as a change in previously announced Federal government monetary incentives.

In May 2010, we entered into agreement with Shasta Technologies, Inc. and Broadtree, Inc. This agreement granted our Pharma Tech Solutions, Inc. subsidiary the exclusive marketing rights to a new diagnostic product not yet on the market named Shasta Genstrip ( Genstrip ). The Genstrip product was developed to compete against the market leader in the \$20 billion at home testing market. In April 2011, the company renegotiated its agreement changing its many roles and adding responsibility for regulatory approval, manufacturing and forecasting, international sales and additional sales markets in the U.S.

We currently employ five full-time staff at our executive office located at 2660 Townsgate Road, Suite 300, Westlake Village, California 91361. In addition, we maintain two full-time and seven part-time positions between our distribution centers located in Florida, Arizona, California and New Jersey. The company is currently hiring pharmaceutical detail representatives and three medically trained college interns across the country and three additional interns to work out of its California office. All of our positions existing, and newly listed, are for sales and marketing, distribution, product development and customer service representatives. Our telephone number is (805) 446-1973 and our website address is [www.decisiondiagnostics.com](http://www.decisiondiagnostics.com).

**Business activities throughout the next twelve months:**

The company's business on a day-to-day basis includes the distribution of prescription and non-prescription diagnostics, at-home testing, post-surgical products, and the sales and distribution of Shasta Genstrip.

Beginning in November 2009, we introduced our cell-phone centric medical IT products that offer solutions in medical care and management by providing physicians with information at the point of care. Unlike other medical information systems using standard computer terminals or even palm-sized computers (PDA's), our software applications operate on a series of late generation smart e-cell phones including the Apple iPhone, the Palm Pre, the

Google Droid, several makes of RIM's Blackberry and many versions of the Microsoft Windows smart phones. Our products allow physicians to access and update their patients' histories, medication data, and best care guidelines - *all at the point of care*. The company's Electronic Medical Records software is believed to be the first EMR application running on any palm sized mobile device. Recently we ported our software to run on a series of pad computers such as Apple iPad and the Droid powered pads.

Our business objectives include:

1. The practice of specializing in the distribution of Shasta Genstrip and several brand-name medical diagnostic and medical disposable products associated with the on-going care of diabetes-inflicted patients, and the world-wide distribution of our new proprietary diagnostic product Shasta Genstrip.
2. Combining our wholesale and retail drug distribution with our cell phone centric technologies, creating wholesale and retail ePharmacies similar in function to existing Internet pharmacies but directed to serving the large base of underinsured and uninsured Americans; and
3. Providing medical communication and EMR medical history and storage devices based on networks of smart cell phones. These products are believed to provide benefits of on demand medical information to private practice physicians, licensed medical service providers such as diagnostic testing laboratories, and medical insurers. We have created cell phone-centric products and a suite of Internet enhanced software applications that include those features that specifically respond to the requirements of the practicing physician and the regulations currently being promulgated by the Federal government.

We also have adapted our medical communications and EMR technologies to service the real estate management and hotel/motel/convenience industries in their own commercial settings. In March 2010, our Board approved the sale of the company's hotel/motel technologies and business base so we can focus on our core medical IT and medical distribution businesses. In past years when we had market focus on the hotel/motel industry, our real estate and hotel/motel objectives include building electronic commerce networks based on personal digital assistants (PDA) and pad based computers to the hotels, motels and single building, multi-unit apartment buildings with a desire to offer local advertising and electronic services to their tenants/guests.

### Financing Requirements

At December 31, 2012, we had cash of \$85,378 and working capital of \$901,239. We anticipate that we will require \$56 million in trade debt financing to finance our expected first year sales of Genstrip. In March 2012 we renewed our agreement with Alpha Credit Resources to obtain this debt financing. We have not drawn on this line despite its renewal. We will continue to seek a combination of equity and long-term debt financing as well as other traditional cash flow and asset backed financing to meet our financing needs and to reduce our overall cost of capital. Additionally, in order to accelerate our growth rate and to finance general corporate activities, we may supplement our existing sources of funds with financing arrangements at the operating system level or through additional short-term borrowings. As a further capital resource, we may sell or lease certain rights or assets from our portfolio as appropriate opportunities become available. However, there can be no assurance that we will be able to obtain any additional financing, on acceptable terms or at all.

### Results of Operations for the years ended December 31, 2012 and 2011 compared.

The following tables summarize selected items from the statement of operations for the years ended December 31, 2012 compared to 2011.

#### INCOME:

	For the Years Ended				Increase (Decrease)	
	December 31,				\$	%
	2012	2011				
Revenue	\$ 6,197,691	\$ 12,112,093	\$	(5,914,402)	(49%)	
Cost of sales	4,674,546	9,236,052		(4,561,506)	(49%)	
Gross profit	\$ 1,523,145	\$ 2,876,041	\$	(1,352,896)	(47%)	

Gross profit margin	25%	24%
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During the third and fourth quarters of 2012, we experienced a significant decline in revenue creating a 49% decline in our overall revenues for the year ended December 31, 2012. The decline in revenue was anticipated and the direct result of our phasing out of sales of brand name diagnostic products that will directly compete with our new Shasta Genstrip. In addition, the overall at home testing market is being hindered by the general poor economic conditions, longer payment cycles from insurers, additionally, our business model had not included the sale of retail brand-name products. We expect these conditions to continue into the early part of 2013 as we continue to develop our marketing and distribution channel for our Shasta Genstrip product. Our decrease in cost of sales is also as expected due to the direct relationship between revenue and cost of sales. However, we were able to increase gross profit by a 1% margin through re-negotiated wholesale pricing.

**OPERATING EXPENSES:**

	For the Years Ended		Increase (Decrease)				
	2012	December 31,	2011				
<b>Expenses:</b>							
General & administrative	\$	219,488	\$	307,488	\$	(88,000)	(29%)
Consulting		503,727		139,924		363,803	260%
Payroll expense		714,250		54,641		659,609	1,207%
Professional fees		439,287		111,373		327,914	294%
Operating expenses		1,876,751		613,426		1,263,325	206%
Bad debt expense		2,348,326		3,269,908		(921,582)	(28%)
Total operating expenses		4,225,077		3,883,334		341,743	9%
Net operating (loss)	\$	(2,701,932)	\$	(1,007,293)	\$	1,694,639	168%

**General and administration** expenses include office expenses (including bad debt, rent, cleaning and maintenance, utilities, and telephone), insurance, and bank charges. During the year ended December 31, 2012, general and administration expenses decreased by \$88,000 to \$219,488 (2011 - \$307,488). The decrease was due primarily to the elimination of our warehouse location which accounted for \$87,530 of our general and administrative expense in the previous year. General and administration expenses historically account for approximately 2% of our total revenue. During the current year the amount we have spent on our general and administrative costs has decreased, however due to our decline in revenue the expense as a percentage of revenue has increased to 4%. As we experience growth in revenues, general and administration expenses are expected to decrease on a percentage of revenue basis.

**Consulting expenses** for the year ended December 31, 2012 increased by \$363,802 to \$503,726 (2011 - \$139,924). Historically, management shifts its labor requirements between, outside consultants, casual labor and in-house management dependent upon availability and cost effectiveness of resources. During 2012, the majority of our labor was derived from the use of outside consultants. Our compensation structure is comprised of both cash and equity of the Company. During 2012 the amounts attributable to cash and equity were \$34,055 and \$469,672, respectively. We intend to continue to compensate our consultants with equity of the Company into 2013 until such time our revenues provide sufficient cash flows to cover these expenses.

**Professional fees** include accounting services, legal fees and regulatory reporting compliance. Our accounting fees have remained consistent at \$52,067 in 2012 and \$51,100 in 2011. Regulatory reporting fees decreased slightly in 2012 to \$13,372 from \$16,158 in 2012. The significant increase of \$327,914 is related to legal fees incurred in connection with our current litigation we engaged additional legal counsel to assist in the review of potential new sales/distributing agreements as well as to review general corporate matters. We anticipate our legal fees to continue until all ongoing litigation issues are resolved.

**OTHER INCOME (EXPENSE):**

	<b>For the Years Ended December 31,</b>		<b>Increase (Decrease)</b>	
	<b>2012</b>	<b>2011</b>	<b>\$</b>	<b>%</b>
<b>Other income (expense)</b>				
Financing costs	\$ (5,036)	\$ (488,843)	\$ (483,807)	(99%)
Interest expense	(535,338)	(483,720)	51,618	11%
Gain (loss) on settlements	160,809	(137,150)	297,959	2175
Total operating expenses	(379,565)	(1,109,713)	(730,148)	(66%)
Net (loss)	\$ (3,081,497)	\$ (2,117,006)	\$ 964,491	46%

Our other income and expense includes costs related to our financing activities, more specifically the interest expense associated with our line of credit with Alpha Credit Resources, LLC. ( Alpha ). Alpha has provided us a line of credit up to \$2,500,000. The interest rate of our line of credit is 24% per annum. Interest expense increased by \$51,618 to \$535,338 (2011 - \$483,720).

For the year ended December 31, 2012 and 2011, management has entered into various agreements for the settlement of the Company's historic debt obligations. As a result of these negotiated settlements, the Company's obligations have been reduced from their historical carrying amounts. In 2012, settlement gains were \$160,809 as compared to settlement losses of \$137,150 in 2011. We may incur further gains or losses on debt settlement or other settlement cost during 2012.

We recorded a net loss for the year ended December 31, 2012 of \$3,081,497 compared to a net loss in the previous year of \$2,117,006. Our total operating and non-operating expenses in 2012 totaled \$4,604,642 compared to \$4,993,047 representing an overall decrease in total expenses of \$388,405. However, the decline in revenues we experienced resulted in an increase in our net loss of \$964,491.

### Liquidity and Capital Resources

A critical component of our operating plan impacting our continued existence is the ability to obtain additional capital through additional equity and/or debt financing. We do not anticipate generating sufficient positive internal operating cash flow until such time as we can deliver our product to market, complete additional financial service company acquisitions and generate substantial revenues, which may take the next few years to fully realize. In the event we cannot obtain the necessary capital to pursue our strategic plan, we may have to cease or significantly curtail our operations. This would materially impact our ability to continue operations.

The following table summarizes our current assets, liabilities and working capital at December 31, 2012 and 2011.

	December 31,		Increase (Decrease)	
	2012	2011	\$	%
Current assets	\$ 4,021,055	\$ 4,537,949	\$ (516,894)	(11%)
Current liabilities	3,119,816	2,532,217	587,599	23%
Working capital	\$ 901,239	\$ 2,005,732	\$ (1,104,493)	(55%)

### Cash to Operating Activities

During the year, ended December 31, 2012, operating activities provided cash of \$9,884 compared to using cash of \$208,690 in 2011. Our loss for 2012 was \$3,081,497, and included bad debt write-downs of \$2,348,326 (2011 - \$1,241,043); and consulting and compensation expenses settled with equity \$1,136,580 (2011 - \$85,255). Our change in accounts receivables has decreased slightly to \$1,332,405 (2011 - \$1,342,363). Prepaid expenses decreased by

\$189,879 (2011 \$1,293,582) due to the expiration of prepaid insurance and legal in 2012. Accounts payable and accrued liabilities have increased by \$243,346 (2011 \$34,616) due to a slowdown in our revenue cycle. Accrued interest increased by \$438,946 (2011- \$24,705) related to our line of credit. Our contingent liabilities decreased \$147,000 (2011 \$0.00) due to the recognition of liability due to our involvement in legal matters.

### **Cash from Investing Activities**

During the year ended December 31, 2012, investing activities used cash of \$50,875 (2011 - \$59,585).

### **Cash from Financing Activities**

During the year ended December 31, 2012, financing activities produced net cash of \$111,500 (2011 62,754). Cash was used for payments on notes payable of \$2,500 (2011 - \$5,732).



*Internal and External Sources of Liquidity*

**Alpha Credit Resources LLC (formerly Centurion Credit)**

On November 17, 2007, we entered into an agreement with Alpha Credit Resources LLC to secure a \$1,000,000 revolving credit facility that is geared specifically to our business. As of October 2008, the company renewed its agreement with Alpha Credit Resources LLC until November 17, 2009 and as an inducement to renew the credit line was increased to \$2,000,000, with additional seasonal increases to \$2,500,000. In June 2010 we began discussions with Alpha Credit for an additional \$6.0 million credit facility to provide available credit to finance sales of our new at-home testing diagnostic product. The company last borrowed funds using the credit line in the period ended September 30, 2011. The agreement matured on December 31, 2011 without renewal. In March of 2012, we executed a renewal agreement with Alpha Credit. The renewal period matures on December 31, 2012. As of the date of this filing we have not utilized the line of credit available.

***Cash Flow.***

Since inception, we have primarily financed our cash flow requirements through the issuance of common stock, the issuance of notes and sales generated income. With anticipated growth in 2012 we may, during our normal course of business, experience net negative cash flows from operations, pending receipt of revenue, which often are delayed because of the nature of the healthcare industry. Further, we may be required to obtain financing to fund operations through additional common stock offerings and bank or other debt borrowings, to the extent available, or to obtain additional financing to the extent necessary to augment our available working capital.

***Satisfaction of our cash obligations for the next 12 months.***

As of December 31, 2012, our cash balance was \$85,378. Our plan for satisfying our cash requirements for the next twelve months is through additional equity, third party financing, and/or debt financing. We anticipate sales-generated income during that same period of time, but do not anticipate generating sufficient amounts of positive cash flow to meet our working capital requirements. Consequently, we intend to make appropriate plans to insure sources of additional capital in the future to fund growth and expansion through additional equity or debt financing or credit facilities.

As we expanded operational activities, we may continue, from time to time, to experience net negative cash flows from operations, pending receipt of sales or development fees, and will be required to obtain additional financing to fund operations through common stock offerings and debt borrowings to the extent necessary to provide working

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

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

***Expected purchase or sale of plant and significant equipment.***

We do not anticipate the purchase or sale of any plant or significant equipment; as such, items are not required by us at this time.

### ***Going Concern***

The financial statements included in this report have been prepared in conformity with generally accepted accounting principles that contemplate the continuance of the Company as a going concern. The Company's cash position is currently inadequate to pay all of the costs associated with testing, production and marketing of products. Management intends to use borrowings and security sales to mitigate the effects of its cash position, however no assurance can be given that debt or equity financing, if and when required will be available. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue existence.

### **Off-Balance Sheet Arrangements**

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

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

Not applicable.

### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

#### **Management Responsibility for Financial Information**

We are responsible for the preparation, integrity and fair presentation of our financial statements and the other information that appears in this annual report on Form 10-K. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include estimates based on our best judgment.

We maintain a system of internal controls and procedures designed to provide reasonable assurance, with an appropriate cost-benefit relationship, that our financial information is accurate and reliable, our assets are safeguarded,

and our transactions are executed in accordance with established procedures.

We retained L.L. Bradford & Company (2012) and Weaver Martin & Samyn LLC (2011) independent registered public accounting firms, to audit our consolidated financial statements. Their accompanying reports are based on audits conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

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**Report of Independent Registered Public Accounting Firm**

Shareholders and Directors

Decision Diagnostics Corp

Westlake Village, California

We have audited the accompanying consolidated balance sheet of Decision Diagnostics Corp. (formerly instaCare Corp) as of December 31, 2011 and the related consolidated statement of operations, shareholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Decision Diagnostics Corp (formerly instaCare Corp) as of December 31, 2011 and the consolidated results of its operations, shareholders' equity, and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations. This factor raises substantial doubt about the Company's ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*/s/ Weaver Martin & Samyn LLC*

Kansas City, Missouri

April 13, 2012

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**Report of Independent Registered Public Accounting Firm**

Shareholders and Directors

Decision Diagnostics Corp

Westlake Village, California

We have audited the accompanying consolidated balance sheet of Decision Diagnostics Corp. as of December 31, 2012 and the related consolidated statement of operations, shareholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Decision Diagnostics Corp (formerly instaCare Corp) as of December 31, 2012 and the consolidated results of its operations, shareholders' equity, and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations. This factor raises substantial doubt about the Company's ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*/s/ L.L. Bradford & Company, LLC*

Las Vegas, Nevada

April 16, 2013

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**DECISION DIAGNOSTICS CORP.**  
**CONSOLIDATED BALANCE SHEET**

		<b>DECEMBER 31,</b>	
		<b>2012</b>	<b>2011</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash	\$	85,378	\$ 14,869
Accounts receivable, net of allowance		2,240,583	3,256,504
Prepaid expenses		1,695,094	1,266,576
Total current assets		4,021,055	4,537,949
<b>Other assets</b>			
Intellectual property		120,410	69,535
Total other assets		120,410	69,535
Total assets	\$	4,141,465	\$ 4,607,484
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable and accrued liabilities	\$	648,436	\$ 222,659
Accrued interest		5,258	134,712
Line of credit		2,428,444	1,992,168
Notes payable and short term borrowings		37,678	182,678
Total current liabilities		3,119,816	2,532,217
<b>Contingencies</b>		170,069	205,500
<b>Stockholders Equity</b>			
Preferred stock, \$0.001 par value, 3,738,500 shares authorized, no shares			
issued and outstanding as of December 31, 2012 and 2011, respectively		-	-
Preferred series B stock, \$0.001 par value, 2,500 shares authorized 1,000 shares			
issued and outstanding as of December 31, 2012 and 2011, respectively		1	1
Preferred series C stock, \$0.001 par value, 10,000 shares authorized, 1,250 shares			
issued and outstanding as of December 31, 2012 and 2011, respectively		1	1
Preferred series D stock, \$0.001 par value, 500 shares authorized, no shares			
Issued and outstanding as of December 31, 2012 and 2011, respectively		-	-
Preferred series E stock, \$0.001 par value, 1,250,000 shares authorized, 1,156,800 and 1,095,300			
		1,157	1,095

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shares issued and outstanding as of December 31, 2012, and 2011,  
respectively

Common stock, \$0.001 par value, 494,995,000 shares authorized,  
13,909,751 and 9,307,934

shares issued and outstanding as of December 31, 2011 and 2010,  
respectively

Common stock unissued, 2,151,000 and no shares authorized and unissued

As of December 31, 2012 and 2011, respectively	2,151	-
Subscription receivable	-	(68,315)
Additional paid in capital	24,049,926	22,061,746
Accumulated (deficit)	(23,215,566)	(20,134,069)
Total stockholders equity	851,580	1,869,767
Total liabilities and stockholders equity	\$ 4,141,465	\$ 4,607,484

The accompanying notes are an integral part of these consolidated financial statements.

**DECISION DIAGNOSTICS CORP.****CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>THE YEARS ENDED DECEMBER 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Revenue:</b>		
Sales	\$ 6,197,691	\$ 12,112,093
Cost of sales	4,674,546	9,236,052
<b>Gross profit</b>	1,523,145	2,876,041
<b>Expenses:</b>		
General & administrative	2,567,814	3,577,396
Consulting	503,726	139,924
Payroll expense	714,250	54,641
Professional fees	439,287	111,373
Total expenses	4,225,077	3,883,334
<b>Net operating income (loss)</b>	(2,701,932)	(1,007,293)
<b>Other income (expense):</b>		
Financing costs	(5,036)	(488,843)
Interest expense	(535,338)	(483,720)
Gain (loss) on settlements	160,809	(137,150)
Total other income (expense)	(379,565)	(1,109,713)
<b>Net (loss)</b>	\$ (3,081,497)	\$ (2,117,006)
Weighted average common shares outstanding		
basic and fully diluted	11,115,867	8,080,645
Net (loss) per share		
basic and fully diluted	\$ (0.28)	\$ (0.26)

The accompanying notes are an integral part of these consolidated financial statements.



## DECISION DIAGNOSTICS, CORP.

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

	Preferred Stock Shares	B Amount	Preferred Stock Shares	C Amount	Preferred Stock Shares	E Amount	Common Stock Shares	Additional Paid-in Capital	Shares Authorized Unissued	Subscrip Receiv
<b>Balance, December 31, 2010</b>	-	\$ -	-	\$ -	1,110,000	\$ 1,110	7,332,199	\$ 20,456,179	-	(8)
Shares issued for services	-	-	-	-	-	-	174,000	85,081	-	-
Shares released to escrow	-	-	-	-	175,000	175	-	84,825	-	-
Shares issued for financing	-	-	-	-	-	-	954	37,174	-	-
Shares issued to escrow for financing	1,000	1	-	-	-	-	-	(1)	-	-
Shares issued for exercise options for cash	-	-	-	-	-	-	61,429	30,039	-	-
Conversion of Series E preferred stock	-	-	-	-	(189,700)	(190)	677,500	(488)	-	-
Shares issued for debt settlement	-	-	-	-	-	-	214,286	119,786	-	-
Shares for patent legal defense	-	-	1,250	1	-	-	-	1,249,999	-	-
Subscription payment	-	-	-	-	-	-	-	-	-	-
10% stock dividend	-	-	-	-	-	-	847,566	(848)	-	-
Net (loss)	-	-	-	-	-	-	-	-	-	-

**Balance,  
December  
31, 2011**

**1,000\$**

**1 1,250\$**

**1 1,095,300\$**

**1,095,307,934\$**

**9,308\$ 22,061,746\$**

**-\$ (6**

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(continued)

	Preferred Shares	B Stock Amount	Preferred C Stock Shares	Preferred C Stock Amount	Preferred E Stock Shares	Preferred E Stock Amount	Common Stock Shares	Common Stock Amount	Addition Paid-in Capital	Shares Authorized Unissued	Subscription Receivable	Accumulated (Deficit)	Total
Shares issued for services	-	-	-	-	-	2,900,000	2,900,000	632,465	1,575	-	-	636,940	
Options issued for services	-	-	-	-	-	-	-	1,118,036	-	-	-	1,118,036	
Shares issued for financing	-	-	-	-	-	-	238	36	-	-	-	-	36
Shares issued to escrow for financing	-	-	-	-	124,700	125	-	-80,357	-	-	-	-80,482	
Conversion of Series E preferred stock	-	-	-	-	(63,200)	(648,200)	648	(820)	236	-	-	-	-
Shares issued for cash	-	-	-	-	-	1,000,000	1,000,000	12,860	140	-	-	114,000	
Shares issued for debt settlement	-	-	-	-	-	-53,379	54	45,246	200	-	-	-45,500	
Write-down of subscription receivable	-	-	-	-	-	-	-	-	-	-	68,315	-68,315	
Net (loss)	-	-	-	-	-	-	-	-	-	-	(3,081,497)	(3,081,497)	
<b>Balance, December 31, 2012</b>	<b>1,000</b>	<b>\$ 1</b>	<b>1,250</b>	<b>\$ 1</b>	<b>1,156,800</b>	<b>\$15,009,751</b>	<b>13,240,492</b>	<b>\$240,926</b>	<b>\$2,151</b>	<b>\$ (23,215,566)</b>	<b>\$1,580</b>	<b>\$1,580</b>	

The accompanying notes are an integral part of these consolidated financial statements.

**DECISION DIAGNOSTICS, CORP.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>FOR THE YEARS ENDED</b>	
	<b>DECEMBER 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities</b>		
Net (loss)	\$ (3,081,497)	\$ (2,117,006)
Adjustments to reconcile net income to		
net cash provided (used) by operating activities		
Shares and options issued for services	1,136,580	85,255
Shares issued for financing	80,518	122,174
Amortization of financing fees	-	366,667
Bad debt expense	2,348,326	1,241,043
Shares issued for settlement expenses		120,000
Gain (loss) on settlements	(160,809)	(41,849)
Changes in operating assets and liabilities:		
Accounts receivable	(1,332,405)	(1,342,363)
Prepaid expenses	189,879	1,298,068
Accounts payable and accrued liabilities	243,346	34,616
Accrued interest	438,946	24,705
Contingent liabilities	147,000	-
Net cash (used) by operating activities	9,884	(208,690)
<b>Cash flows (used) in investing activities</b>		
Intellectual property	(50,875)	(59,585)
Net cash (used) by investing activities	(50,875)	(59,585)
<b>Cash flows from financing activities</b>		
Proceeds (payments), line of credit	-	26,701
Payments on notes payable	(2,500)	(5,732)
Proceeds from the issuance of common stock	114,000	41,785
Net cash provided by financing activities	111,500	62,754
Net increase (decrease) in cash	70,509	(205,521)
Cash beginning	14,869	220,390
Cash ending	\$ 85,378	\$ 14,869
<b>Supplemental disclosures:</b>		
Interest paid	\$ -	\$ 458,239
Income taxes paid	\$ -	\$ -
<b>Non-cash transactions:</b>		
Shares and options issued for services	\$ 1,754,976	\$ 85,255
Shares issued for settlement expenses	\$ 45,500	\$ 120,000
Shares issued for financing activities	\$ 80,518	\$ 122,174



The accompanying notes are an integral part of these consolidated financial statements

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**DECISION DIAGNOSTICS CORP.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 Significant accounting policies and procedures**

Organization

We were organized July 6, 2000 under the laws of the State of Nevada. As a part of our efforts to transition the company toward a full service and vertically integrated provider of at-home diagnostics, on November 1, 2011, as a condition of the merger of Diagnostics Newco, LLC, from its sole owner, the company completed a name change action through the office of Nevada Secretary of State (NVSOS). The surviving entity is known as Decision Diagnostics Corp. This action through the office of the NVSOS was effective as of November 25, 2011.

As part of our efforts to secure a listing on a new stock exchange, we completed another action with the NVSOS, where a previously approved board resolution to reverse split our shares was finalized. Our stock was split whereby one new share of the company's common stock was exchanged for every fourteen previously issued and outstanding shares of our \$.001 par value common stock. This action was effective as of November 25, 2011. All share references included herein have been retroactively restated to reflect the 1:14 reverse split.

Principles of Consolidation

The financial statements include those of: Decision Diagnostics Corp. ( Decision Diagnostics ); and its wholly owned subsidiaries, PDA Services, Pharmtech, Inc. Pharmatech Solutions, Inc. and Decision IT. All significant inter-company transactions and balances have been eliminated. Decision Diagnostics and its subsidiaries are collectively referred to herein as the Company. Investments in unconsolidated subsidiaries representing ownership of at least 20% but less than 50% are accounted for under the equity method. Non-marketable investments in which the Company has less than 20% ownership and in which it does not have the ability to exercise significant influence over the investee are initially recorded at cost and periodically reviewed for impairment. As of December 31, 2012 and 2011, we did not have non-marketable investments.

Cash and cash equivalents

Cash and cash equivalents include all cash balances in non-interest bearing accounts and money-market accounts. We place our temporary cash investments with quality financial institutions. At times, such investments may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limit. We do not believe it is exposed to any significant credit risk on cash and cash equivalents. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. There are no cash equivalents as of December 31, 2012 and 2011.

### Credit Risks

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2012 and 2011, we did not have balances in excess of FDIC insured limits.

### Accounts receivable and Allowance for Doubtful Accounts Receivable

Trade accounts receivables are non-interest bearing and are stated at gross invoice amounts less an allowance for doubtful accounts receivable.

Credit is extended to customers based on an evaluation of their financial condition and other factors. The Company generally does not require collateral or other security to support accounts receivable. The Company performs ongoing credit evaluations of its customers and maintains an allowance for doubtful accounts.

The Company estimates its allowance for doubtful accounts by evaluating specific accounts where information indicates the customers may have an inability to meet financial obligations, such as bankruptcy proceedings and receivable amounts outstanding for an extended period beyond contractual terms. In these cases, the Company uses assumptions and judgment, based on the best available facts and circumstances, to either record a specific allowance against these customer balances or to write off the balances. In addition, the Company calculates an overall reserve based on a percentage of the overall gross accounts receivable. This percentage is based on management's assessment of the aging of accounts receivable, historical write-offs of receivables and the associated risk profile of the Company's customer base.

Accounts receivable balances were \$2,240,583 (net of allowance for doubtful accounts of \$1,791,043) and \$3,256,504 (net of allowance for doubtful accounts of \$1,241,043) for the years ended December 31, 2012 and 2011, respectively.

#### Revenue recognition

We recognize revenue in accordance with ASC subtopic 605-10 (formerly SEC Staff Accounting Bulletin No. 104 and 13A, Revenue Recognition ) net of expected cancellations and allowances. As of December 31, 2012 and 2011, we evaluated evidence of cancellation in order to make a reliable estimate and determined there were no material cancellations during the years and therefore no allowances has been made.

We recognize revenue from our sales of pharmaceutical supplies upon delivery to its customer where the fee is fixed or determinable, and collectability is probable. Cash payments received in advance are recorded as deferred revenue. We are not generally obligated to accept returns, except for defective products.

Revenue from proprietary software sales that does not require further commitment from the company is recognized upon shipment. Consulting revenue is recognized when the services are rendered. License revenue is recognized ratably over the term of the license.

#### Advertising costs

We expense all costs of advertising as incurred. There were no advertising costs included in general and administrative expenses as of December 31, 2012 and 2011, respectively.

#### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. As of December 31, 2012 and 2011, we have accrued contingent legal fees and product liability fees totaling \$170,069 and \$205,500, respectively.

Fair value of financial instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2012 and 2011. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, accounts receivable, accounts payable, accrued liabilities and notes payable. Fair values were assumed to approximate carrying values because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Impairment of long-lived assets

The Company reviews its long-lived assets and intangibles periodically to determine potential impairment by comparing the carrying value of the long-lived assets with the estimated future cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future cash flows be less than the carrying value, the Company would recognize an impairment loss. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets and intangibles. The Company recognized no impairment losses during the years ended December 31, 2012 and 2011.

Earnings per share

Earnings per share are provided in accordance with ASC Topic 260 Earnings per Share (as amended). The Company presents basic earnings per share (EPS) and diluted EPS on the face of consolidated statements of operations. Basic EPS is computed by dividing reported earnings by the weighted average shares outstanding. Diluted EPS is computed by adding to the weighted average shares the dilutive effect if stock options and warrants were exercised into common stock. Basic loss per share is computed by dividing losses available to common stockholders by the weighted average number of common shares outstanding during the period. Basic earnings per common share are based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is based on the weighted average number of common shares, plus all stock options and warrants convertible into common stock for an additional 8,614,286 common shares; and all preferred stock converted into common stock for an additional 41,245,200 common shares.

### Income Taxes

The Company follows ASC subtopic 740-10 (formerly Statement of Financial Accounting Standard No. 109, Accounting for Income Taxes ) for recording the provision for income taxes. ASC 740-10 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

### Concentrations

In 2012, three customers accounted for approximately 88% of net sales compared to four in the previous year. Historically the Company's operations require maintaining strategic relationships with customers whereby delivering product and services directly to the patient base that underlies strategic relationships, accepting assignment of insurance benefit through our Colonia Natural Pharmacy strategic partnership for the billing and future servicing of these patients. We also maintain relationships with the entities where the patients reside. As of December 31, 2012 and 2011, we obtained the majority of our pharmaceutical products from five major suppliers. There can be no assurance that our major customers will continue to purchase products. The loss of our largest customers or a decrease in product sales would have a material adverse effect on our business and financial condition.

### Reclassifications

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

New Accounting Standards Adopted During the Year Ended December 31, 2012

Management has analyzed all pronouncements issued during the year ended December 31, 2012 by the FASB or other authoritative accounting standards groups with future effective dates, and have determined that they are not applicable or are not expected to be significant to the financial statements of the Company.

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

Year-end

We have adopted December 31 as our fiscal year end.

**NOTE 2** Going concern

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

### NOTE 3 Fair value

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

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

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

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

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

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

The Company utilizes the best available information in measuring fair value. The following table summarizes, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as of



December 31, 2012:

	Fair Value Measurements			Total Fair Value
	Level 1	Level 2	Level 3	
Assets				
Intellectual property	\$ -	\$ -	\$ 120,410	\$ 120,140
Liabilities				
Notes payable	-	(37,678)	-	37,678
Line of credit	-	(2,428,444)	-	2,428,444
Total	\$ -	\$ (2,466,122)	\$ 120,410	\$ (2,345,982)

**NOTE 4 Line of credit**

During the year ended December 31, 2012, we authorized the release of an additional 124,700 shares of preferred series E stock valued at \$80,482 for accrued interest due to Alpha Credit Resources as of March 1, 2012. In addition, as a condition of authorizing the excess advance, Alpha Credit Resources required collateral in the form of our preferred series B stock, to be issued in their name and held by their legal counsel as escrow agent for this transaction. In the event of default, Centurion maintains the ability to convert the aforementioned shares into common shares at a rate of 7,143 to 1 in order to cure any potential default. The outstanding shares of this issue, if fully converted, would create 7,142,858 shares of new \$.001 par value common stock. The fair value of the underlying common shares at the date of issuance totaled \$5,900,000. As of December 31, 2012, the principle balance plus accrued interest owed was \$2,428,444.

We have recorded interest and financing expense of \$516,757 and \$376,691 for the years ended December 31, 2012 and 2011, respectively.

**NOTE 5 Notes payable**

Notes payable consisted of the following as of December 31 2012 and 2011:

		December 31,	
		2012	2011
<b>(a)</b>	Convertible promissory note, bearing interest at a 15% per annum, matured on October 31, 2007, and settled in 2012.	\$ -	\$ 145,000
<b>(b)</b>	Promissory note, bearing interest at 9% per annum, maturing December 31, 2012.	37,678	37,678
	Total notes payable	\$ 37,678	\$ 182,678

**a)**

In 2005, our former CEO determined that it was in the best interests of the company to borrow funds by offering a group of investor's future promises to offer convertible promissory notes to private investors. The former CEO, who had been removed by the Board as CEO at the time of this determination, broke long standing and memorialized Board approved company policy, did not receive the necessary officer approvals called for under this memorialized policy, did not receive Board approval for his actions, and never provided proof of any consideration received by the company. On August 14, 2006 the former CEO was terminated. The principal sum of these promissory notes was \$170,000. According to the terms provided to the company, who some six years later has yet to receive an executed document or note, each note holder was due their principal balance and accrued interest at an annual rate of 15% maturing in one year from the date of issuance. On March 30, 2010 after a dispute arose, we entered into a debt settlement agreement for the payment of principal of \$25,000 and accrued interest of \$15,938 for a total amount owed of \$40,938. Pursuant to the settlement agreement, we issued 300,000 shares of our common stock valued at \$34,500 and agreed to pay an additional \$15,000 in cash to the investor for a total sum of \$49,500. The excess payment of \$8,562 was recorded as interest expense. During the month of May 2012 the company entered into an additional settlement agreement requiring a one-time payment of \$5,000 cash and the issuance of 53,354 shares, for a total sum of \$22,500. The unpaid principle together with accrued interest on the settlement amount at the date of settlement totaled \$38,873. On December 2, 2012, the Company agreed to settle the remaining principal balance of \$125,000 and accrued interest of \$128,252 with the issuance of 200,000 shares of common stock valued at \$28,000, and a one-time cash payment of \$12,500. As a result of the settlement, the Company recorded a gain on the remaining settlement in the amount of \$212,752.

**b)**

On June 20, 2007, we entered into a promissory note with Invacare for the principal amount of \$160,385, bearing interest at a rate of 9% per annum and maturing on June 10, 2010. On March 4, 2011, we re-negotiated this note whereby the principal balance and accrued interest were reduced by \$35,335 and \$6,541, respectively. In addition, the

maturity was extended an additional twelve months to March 2012. As a result of the amendments to the note, we recognized a gain on the settlement of debt in the amount of \$41,849. Pursuant to the amended terms of the note, we are required to make monthly principal and interest payments of \$1,900. As of December 31, 2012, the principal balance totaled \$37,678 and accrued interest was \$5,258

We have recorded interest in connection with our notes totaling \$20,796 and \$16,800 for the nine months ended December 31, 2012 and 2011, respectively.

**NOTE 6** Income taxes

At December 31, 2012, the Company had approximately \$23,200,000 of federal and state net operating losses. For the years ended December 31, 2012 and 2011, the Company reported net losses of \$3,081,497 and \$2,117,006, respectively. No provision for income tax expense has been record. In addition no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. The net operating loss carry forwards, if not utilized will begin to expire in 2017-2023.

The components of the Company's deferred tax asset are as follows:

	<b>As of December 31,</b>		
	<b>2012</b>		<b>2011</b>
Deferred tax assets:			
Net (loss)	\$ (3,081,497)	\$	(2,117,006)
Stock, options, and warrants issued	1,136,580		327,429
Taxable (loss)	(1,944,917)		(1,798,577)
Net operating loss carry forwards	19,989,393		18,190,816
Total deferred tax asset	21,934,310		19,989,393
Income tax rate	35%		35%
	7,677,009		6,996,288
Less: valuation allowance	(7,677,009)		(6,996,288)
Net deferred tax asset	\$ -0-	\$	-0-

For financial reporting purposes, the Company has incurred historical losses. Based on the available objective evidence, including the Company's history of its loss, management believes it is more likely than not that, the net deferred tax assets will not be fully realizable. Accordingly, the Company provided for a valuation allowance against its net deferred tax assets at December 31, 2012.

A reconciliation between the amounts of income tax benefit determined by applying the applicable U.S. and State statutory income tax rate to pre-tax loss is as follows:

	<b>Years Ended</b>	
	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
Federal and state statutory rate	35%	35%
Change in valuation allowance on deferred tax assets	(35%)	(35%)
	-0-	-0-

**NOTE 7** Stockholder's equity

We are authorized to issue up to 494,995,000 shares of \$0.001 par value common stock and 5,000,000 shares of various classes of \$0.001 par value preferred stock. In March of 2011, we amended our preferred stock designations as follows: 1) withdrawal of Series A designation on 750,000 shares of preferred stock, 2) Amendment of Series C

designation on to 10,000 shares of preferred stock, 3) Designation of Series B on 2,500 shares of preferred stock, 4) Designation of Series D on 500 shares of preferred stock and 5) increased the number of preferred shares designated as Series E from 1,000,000 to 1,250,000. All presentation of preferred stock contained herein has been retroactively presented to reflect the designations and amendments.

Series B convertible preferred stock

We have designated 2,500 shares of our \$0.001 preferred stock as Series B. Holders of series B : convertible stock shall not have the right to vote on matters that come before the shareholders. Series B convertible preferred stock may be converted, the number of shares into which one share of Series B Preferred Stock shall be convertible into common stock shares shall be 50. Series B convertible stock shall rank senior to common stock in the event of liquidation. Holders of Series B convertible stock shall not be entitled to a mandatory monthly dividend. Series B convertible stock shall have a redemptions price equal to 101% of the purchase price per share, subject to adjustments resulting from stock splits, recapitalization, or share combination.

Series C convertible preferred stock

We have designated 10,000 shares of our \$0.001 preferred stock as 2011 Series C. Each share of 2011 Series C Preferred stock is valued at \$10,000. Holders of series C : convertible stock shall not have the right to vote on matters that come before the shareholders. 2011 Series C convertible preferred stock may be converted after 36 months, but not before, the number of shares into which one share of 2011 Series C Preferred Stock shall be convertible on a pro-rata basis into common stock shares, each share of common stock valued at \$.50. 2011 Series C convertible stock shall rank junior to all other classes of Preferred stock in the event of liquidation. Holders of 2011 Series C convertible stock shall not be entitled to a mandatory monthly dividend.

Series D convertible preferred stock

We have designated 500 shares of our \$0.001 preferred stock as 2012 Series D . Holders of series D : convertible stock shall not have the right to vote on matters that come before the shareholders. 2012 Series D convertible preferred stock may be converted immediately upon distribution. The number of shares into which one share of 2012 Series D Preferred Stock shall be convertible into common stock shares is 1 for 120,000 shares of \$0.001 par value common stock. 2012 Series D convertible stock shall rank junior to all other classes of Preferred stock in the event of liquidation. Holders of 2012 Series D convertible stock shall not be entitled to a mandatory monthly dividend.

Series E convertible preferred stock

We have designated 1,250,000 shares of our \$0.001 preferred stock as Series E . Holders of series E : convertible stock shall not have the right to vote on matters that come before the shareholders. Series E convertible preferred stock may be converted, the number of shares into which one share of Series E Preferred Stock shall be convertible into common stock shares shall be 14. Series E convertible stock shall rank senior to common stock in the event of liquidation. Holders of Series E convertible stock shall not be entitled to a mandatory monthly dividend. Series E convertible stock shall have a redemptions price equal to 101% of the purchase price per share, subject to adjustments resulting from stock splits, recapitalization, or share combination.

*2012 Issuances*

Preferred

During the year ended December 31, 2012, the Company authorized the release of 124,700 shares of our preferred Series E stock to Alpha Credit Resources for accrued interest totaling \$80,482.

During the year ended December 31, 2012, Alpha Credit Resources elected to convert 63,200 shares of their preferred series E into 648,200 shares of common stock.

Common

During the year ended December 31, 2012, the Company issued 253,379 shares of our common stock to three individuals pursuant to debt settlement agreements. As of the balance sheet date, 53,379 shares have been issued and the remaining 200,000 shares were subsequently issued on February 15, 2013. The fair value of the shares issued totaled \$45,500.

During the year ended December 31, 2012, the Company issued 2,900,000 shares of our common stock to entities as consulting fees earned during the year ended December 31, 2012. The fair value of the shares totaled \$636,940, of which \$385,765 and has been recorded as a consulting expense and \$251,175 as a prepaid expense. As of December 31, 2012, 1,575,000 were unissued

During the year ended December 31, 2012 the Company issued 238 shares of common stock to Alpha Credit Resources as financing fees in connection with our line of credit. The fair value of the shares was \$36, and was recorded as financing costs.

During the year ended December 31, 2012, the Company authorized the issuance of 1,140,000 shares of common stock in exchange for cash totaling \$114,000. As of December 31, 2012, 1,000,000 shares had been issued .

#### *2011 Issuances*

##### Preferred

During the year ended December 31, 2011, the Company issued 1,000 shares of our preferred series B stock to Alpha Credit Resources for financing costs valued at \$1.

During the year ended December 31, 2011, the Company issued 1,250 shares of our preferred series C stock to our patent attorney for prepaid patent defense legal fees valued at \$1,250,000.

During the year ended December 31, 2011, the Company issued 189,700 shares of our preferred series E from the 2010 escrowed stock to Alpha Credit Resources as financing fees in connection with our line of credit. We have recorded financing fees in the amount of \$488,843 in connection with these issuances. Throughout the year, Alpha Credit has elected to convert 189,700 shares of their preferred series E into 677,500 shares of common stock.





Common

On December 31, 2011, we affected a 1:14 reverse split of our \$0.001 par value common stock. All common stock references have been retroactively restated to reflect the reverse split.

On December 31, 2011, the Company issued 847,566 shares of our \$0.001 par value common stock pursuant to a 10% stock dividend declared by our board of directors on October 25, 2011.

During the year ended December 31, 2011, the Company issued a total of 174,000 shares of our common stock to various consultants for services rendered to us. The fair value of the services received was \$85,225 and was recorded as consulting fees.

As of December 31, 2011, the Company issued 61,429 shares of our common stock pursuant for the exercise of options. Total proceeds from the exercise were \$30,100.

During the year ended December 31, 2011, we authorized the issuance of 954 shares of common stock to Alpha Credit Resources as financing fees in connection with our line of credit. The fair value of the shares is \$37,175 and was recorded as financing costs.

During the year ended December 31, 2011, the Company issued 677,500 shares of common stock to Alpha Credit Resources upon their election to convert shares of preferred series E stock into shares of our common stock.

During the year ended December, 31, 2011, the Company issued 214,286 shares of our common stock to an investment fund in order to settle debt valued at \$120,000.

**NOTE 8 Options**

2004 Stock Option Plan

Effective April 21, 2004, the Company adopted the 2004 Stock Option Plan, as amended, with a maximum number of 450,893 shares that may be issued. As of December 31, 2012, 398,104 options have been granted and exercised or expired under this plan. There are 52,789 options which remain available for issuance.

#### 2005 Merger Consolidated Stock Option Plan

On February 5, 2005, the Company adopted the 2005 Merger Consolidated Stock Option Plan. The maximum number of shares that may be issued pursuant to the plan is 80,357 shares. As of December 31, 2012, 77,307 shares have been granted and exercised or expired under this plan. There are 3,050 options which remain available for issuance.

#### 2006 Stock Option Plan

On December 8, 2006 the Company adopted the 2006 Employee Stock Option Plan, as amended and granted incentive and nonqualified stock options with rights to purchase 16,821,429 shares of \$0.001 par value common stock. As of December 31, 2012, 3,691,582 options were granted and exercised or expired and 3,600,000 exercisable under this plan. There are 9,529,847 options which remain available for issuance.

#### 2012 Stock Option Plan

On October 22, 2012, the Company adopted the 2012 Executive and Key Man/Woman Stock Option Plan and granted incentive and nonqualified stock options with rights to purchase 5,000,000 shares of \$0.001 par value common stock. As of December 31, 2012, 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:

	<b>Number</b>		<b>Weighted</b>
	<b>of Shares</b>		<b>Average</b>
			<b>Exercise Price</b>
Balance, January 1, 2011	14,286	\$	0.80
Options granted	159,439		0.46
Options cancelled	-		-
Options exercised	(159,439)		0.46
Balance, December 31, 2011	14,286	\$	0.80
Balance, January 1, 2012	14,286	\$	0.80
Options granted	11,125,000		0.10
Options cancelled			
Options exercised	(2,525,000)		0.12
Balance, December 31, 2012	8,614,286	\$	0.10

**NOTE 9 Warrants**

The following is a summary of activity of outstanding warrants:

	<b>Number</b>		<b>Weighted</b>
	<b>of Shares</b>		<b>Average</b>
			<b>Exercise Price</b>
Balance, January 1, 2011	46,428	\$	0.86
Warrants granted	-		-
Warrants cancelled	(28,571)		1.09
Warrants exercised	-		-
Balance, December 31, 2011	17,857	\$	0.49
Balance, January 1, 2012	17,857	\$	0.49
Warrants granted	-		-
Warrants cancelled	-		-
Warrants exercised	-		-
Balance, December 31, 2012	17,857	\$	0.49

**NOTE 10 Commitments and Contingencies**

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 \$4,140 per month on a month-to-month basis.

Rent expense totaled \$49,680 and \$137,210 for the year ended December 31, 2012 and 2011, respectively.

Contingencies

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 new Shasta Genstrip product required initial regulatory approval by the USFDA as well as on-going USFDA approvals during the product life cycle. Further, Shasta Genstrip required medical patient trials and will 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 tool, bringing litigation as a means to protect market share and limit market exposure. The medical industry is also intertwined. From time to time, we may become involved in claims and litigation that arise out of the normal course of business, such as litigation that emerges from disputes over damaged, missing or contaminated product, litigation that arises over payment disputes or claims of fair value. We may also become involved in disputes that arise over the business or business practices of our suppliers, payers and customers. It is not uncommon in our industry to find that a litigant has filed claims in multiple jurisdictions involving the same transaction or a single transaction. The company maintains substantial insurance coverage against suits that may arise over issues of damaged, recalled or counterfeit product and other product liability issues. The company has also been a victim of the unapproved acts of prior management. These acts have resulted in claims from individuals and entities since the Board relieved former management of duty in 2006. Nonetheless, these claims have resulted in the use of management time and company resources to investigate, litigate, or settle. In addition, the company accrues contingent legal fees and product liability fees. As of December 31, 2012, our accrual was \$171,069.

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

#### **NOTE 11 Subsequent events**

In accordance with ASC 855, management evaluated all activity of the Company through the issue date of the financial statements and concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements other than the following:

In January 2013, the Company issued 50,000 and 236,600 shares previously authorized in connection with the purchase and conversion of 16,900 shares of series E preferred stock, respectively.

In February 2013, the Company issued 3,750,000 shares in connection with the exercise of options granted in 2012; issued 1,475,000 shares previously authorized and unissued in 2012; and 324,800 shares of common stock in connection with the conversion of 23,200 shares of series E preferred stock.



**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

On August 5, 2011, we dismissed Seale & Beers, CPA's as our independent auditor and engaged Weaver Martin & Samyn, LLC for the year ended December 31, 2011. This is a change in accountants recommended and approved by our Executive Management and our Board of Directors. During the most recent two fiscal years and the portion of time preceding the decision to engage Weaver Martin & Samyn LLC, we did not nor did anyone engaged on our behalf consult with Weaver Martin & Samyn LLC regarding (i) either the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements; or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K) or a reportable event.

The audit reports issued by Seale & Beers, CPA's with respect to our financial statements for the fiscal years ended December 31, 2010 did not contain an adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles, except that Seale & Beers CPA's report contained an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. From January of 2011 through the notice date, there were no disagreements between us and Seale & Beers, CPA's on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Seale & Beers, CPA's would have caused it to make a reference to the subject matter of the disagreement in connection with its audit report.

The change in accountants is as a result of dissatisfaction with the quality of professional services rendered by Seale & Beers, CPA's, as the independent accountants of the Registrant. The firm of Seale & Beers, CPA's proved to be difficult to work with, and unreasonable in the application of certain audit procedures during the performance of its audit function.

On February 5, 2011, we dismissed Weaver Martin & Samyn, LLC as our independent auditor and engaged L.L. Bradford & Company, LLC for the year ended December 31, 2012. This is a change in accountants recommended and approved by our Executive Management and our Board of Directors. During the most recent two fiscal years and the portion of time preceding the decision to engage L.L. Bradford & Company, LLC, we did not nor did anyone engaged on our behalf consult with L.L. Bradford & Company, LLC regarding (i) either the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements; or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K) or a reportable event.

The audit reports issued by Weaver Martin & Samyn, LLC with respect to our financial statements for the fiscal year ended December 31, 2011 did not contain an adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles, except that Weaver Martin & Samyn, LLC's report contained an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. From

January of 2012 through the notice date, there were no disagreements between us and Weaver Martin & Samyn, LLC on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Weaver Martin & Samyn, LLC would have caused it to make a reference to the subject matter of the disagreement in connection with its audit report.

## **ITEM 9A. CONTROLS AND PROCEDURES.**

### *Evaluation of Disclosure Controls and Procedures*

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the chief executive officer and the chief financial officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Report, Keith Berman, our Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2012. Based on that evaluation our Chief Financial Officer has concluded that our disclosure controls and procedures were effective as of December 31, 2012.



Management's Report on Internal Control over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as is defined in the Securities Exchange Act of 1934. These internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and overriding of controls. Consequently, an effective internal control system can only provide reasonable, not absolute, assurance, with respect to reporting financial information.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2012.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

**ITEM 9B. OTHER INFORMATION.**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Our executive officers, directors, and key employees are:

<b>Name</b>	<b>Age</b>	<b>Position</b>
-------------	------------	-----------------

Keith Berman	60	Chief Financial Officer and Director
William Lyons	60	Director
Robert Jagunich	65	Director

Our shareholders elect our directors annually and our board of directors appoints our officers annually. As of the date of this filing, we have not held an annual meeting. All current directors have been held over until such time the annual meeting is held. Vacancies in our board are filled by the board itself. Set forth below are brief descriptions of the recent employment and business experience of our executive officers and directors.

**Keith Berman** has served as President, Chief Financial Officer, Secretary, Treasurer and Director of the Company since January of 2003. For over the past 15 years, Mr. Berman has been involved in the development of healthcare software including Intranet and Internet systems. From July 1999 to present, Mr. Berman has held the position of President, founder and director of Caredecision.net, Inc. a private company engaged in e-health technology development. From March 2001 through June 2002 Mr. Berman also held the Position of President and Director of Medicus, Inc. From January 1996 to June 1999 Mr. Berman was the President and founder of Cymedix, the operating division of Medix Resources, Inc., now Ramp Corp. (RCO). Cymedix was a pioneer company in what was then known as i-health (Internet healthcare) now the e-health industry. Mr. Berman's professional background provides the Company with business management experience and an in depth knowledge of our industry. Mr. Berman received a BA in 1975 and an MBA in 1977, from Indiana University.

**Robert Jagunich** has served as a Director of the Company since January of 2003. Mr. Jagunich has 27 years of experience in the medical systems and device industry. From August 1992 to present, he has held the position of President at New Abilities Systems, a privately held manufacturer of advanced electronic systems used in rehabilitation. He also provides consulting services to companies such as Johnson and Johnson and has served as a senior executive in such publicly held companies as Laserscope and Acuson. From April 1996 to December 1997 Mr. Jagunich acted as a director of Cymedix Corporation, the operating entity of Medix Resources, Inc., and later, Ramp Corp. (formerly AMEX:RCO). Mr. Jagunich's professional focus on medical devices as well as the professional relationships he has developed throughout his career provides the Company with opportunities to expand current markets and utilize additional product resources not previously available. He received his BS in 1969, and his MS and MBA in 1971, from the University of Michigan.

**William Lyons** has served as a Director of the company from January 2003 through October 2003 and most recently from January 2010 to the present time. Mr. Lyons is currently President and COO of Beacon Medical, Inc. a company specializing in the development, manufacturing, marketing and distribution of medical devices and instruments targeted primarily to the Plastic Surgery medical specialty. Prior to that, Mr. Lyons was co-founder, Executive Vice President and Director of BioElectronics Corporation. Mr. Lyons has successfully performed as President or Executive Vice President of several healthcare start-up communication technology and digital integration corporations. Mr. Lyons has also served in various executive positions for several fortune 500 companies such as American Sterilizer Company, Everest and Jennings and Allscrips. Mr. Lyons's professional experience with start-up companies in the medical technology industry as well as his knowledge in finance provide the Company with guidance in capital formation and sustainability. He holds an MBA in finance and a BA in Philosophy.

Mr. Berman, officer and director, devotes his complete business time to the Company. Mr. Jagunich attends meetings of the board of directors when held and provides 33% of his business time in a professional capacity to the Company.

### **Code of Ethics**

We have not yet adopted a code of ethics that applies to our principal executive officers or persons performing similar functions, since we have been focusing our efforts on obtaining financing for the company. We expect to adopt a code by the end of the current fiscal year.

### **Audit Committee**

The entire board of directors acts as our audit committee. We do not have an audit committee financial expert serving on our audit committee at this time. We propose to expand our board of directors in the near future to include a financial expert.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors, and persons who beneficially own more than 10% of our common stock to file reports of securities ownership and changes in such ownership with the Securities and Exchange Commission ( SEC ). Officers, directors and greater than 10% beneficial owners are also required by rules promulgated by the SEC to furnish us with copies of all Section 16(a) forms they file.

Based solely upon a review of the copies of such forms furnished to us, or written representations that no Form 5 filings were required, we believe that during the fiscal year ended December 31, 2012, there was no compliance with Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners.

**ITEM 11. EXECUTIVE COMPENSATION**

The following table sets forth information the remuneration of our Principal Executive officer for the years ended December 31, 2012 and 2011 and earned in excess of \$100,000 per annum during any part of our last two fiscal years:

**Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non- Equity Incentive Plan	Nonqualified Deferred Earnings (\$)	All Other Compensation (\$)	Total (\$)
						Compensation (\$)	Compensation (\$)	Compensation (\$)	
Keith Berman, CFO and PEO <sup>(1)</sup> (2)(3)	2012	\$ -0-	-0-	\$ -0-	314,204	-0-	-0-	-0-	\$ 314,204
	2011	\$ -0-	-0-	\$ -0-	-0-	-0-	-0-	-0-	\$ -0-

Mr. Berman has served as Chief Financial Officer since January 2003 and as Principal Executive Officer since August 2006. During the fiscal years ended December 31, 2012 and 2011, Mr. Berman has not received any form of compensation as a result of our limited cash flow; Mr. Berman has agreed to accept stock awards as his sole compensation until such time the Company has the necessary resources available to provide a traditional compensation plan.

**Grants of Plan-Based Awards in Fiscal 2012**

During the fourth quarter of 2012, we granted a total of 2,500,000 options to our board of directors and executive management.

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

Name	Equity Incentive Plan Awards:			Equity Incentive Plan Awards:		Equity Incentive Plan Awards:		Equity Incentive Plan Awards:		Equity Incentive Plan Awards:	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Non-exercisable	Number of Securities Underlying Unexercised Options (#) Unearned	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested (\$)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested (\$)	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested (\$)
(a)	(b)	(c)	(d)	(S) (e)	Date (f)	(g)	(h)	(#) (i)	(j)	(#) (i)	(j)
<b>Keith Berman,</b> Secretary/Treasurer	2,500,000	-0-	-0-	\$ 0.10	11/19/15	-0-	-0-	-0-	-0-	-0-	-0-

Option Exercises for 2012

There were no options exercised by our named executive officer in fiscal 2012.

*Director Compensation*



The following table sets forth compensation paid to our board member during the year ended December 31, 2012.

<u>Name</u>	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation Earnings	All Other Compensation	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Keith Berman	-	-	-	-	-	-
Robert Jagunich	-	-	188,522	-	-	188,522
William Lyons	-	-	125,709	-	-	125,709

Amount represents the aggregate fair market value of the underlying shares of common stock issued for services as a Director in accordance with FASB ASC Topic 718, as discussed in the notes to the audited financial statements included in this report.

All directors will be reimbursed for expenses incurred in attending Board or committee, when established, meetings. From time to time, certain directors who are not employees may receive shares of our common stock.

## **Stock Option Plans**

### **2004 Stock Option Plan**

Effective April 21, 2004, the Company adopted the 2004 Stock Option Plan, as amended, with a maximum number of 450,893 shares that may be issued. As of December 31, 2012, 398,104 options have been granted, and exercised or expired under this plan.

### **2005 Merger Consolidated Stock Option Plan**

On February 5, 2005, the Company adopted our 2005 Merger Consolidated Stock Option Plan. The maximum number of shares that may be issued pursuant to the plan is 80,357 shares. As of December 31, 2012, 77,307 options have been granted under this plan, of which 14,286 remain exercisable.



**2006 Stock Option Plan**

On December 8, 2006, the Company adopted our 2006 Employee Stock Option Plan as amended and granted incentive and nonqualified stock options with rights to purchase 16,821,429 shares of \$0.001 par value common stock. As of December 31, 2012, 9,529,847 options have been granted under this plan of which 3,691,582 remain exercisable.

**2012 Executive and Key Man/Woman Stock Option Plan**

On October 22, 2012, the Company adopted its 2012 Executive and Key Man/Woman Stock Option Plan and granted incentive and nonqualified stock options with rights to purchase 5,000,000 shares of \$0.001 par value common stock. As of December 31, 2012, 5,000,000 options have been granted under this plan of which 5,000,000 remain exercisable.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The following table presents information, to the best of our knowledge, about the ownership of our common stock on December 31, 2012 relating to those persons known to beneficially own more than 5% of our capital stock and by our directors and executive officers. The percentage of beneficial ownership for the following table is based on 13,909,751 shares of common stock outstanding.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and does not necessarily indicate beneficial ownership for any other purpose. Under these rules, beneficial ownership includes those shares of common stock over which the shareholder has sole or shared voting or investment power. It also includes shares of common stock that the shareholder has a right to acquire within 60 days after December 31, 2012 pursuant to options, warrants, conversion privileges or other right. The percentage ownership of the outstanding common stock, however, is based on the assumption, expressly required by the rules of the Securities and Exchange Commission, that only the person or entity whose ownership is being reported has converted options or warrants into shares of our common stock.

Name of Beneficial Owner, Officer or Director <sup>(1)</sup>	Number of Shares	Percent of Outstanding Shares of Common Stock <sup>(2)</sup>
Keith Berman, Chief Financial Officer and Director <sup>(3)</sup>	480,103	3.5%
Robert Jagunich, Director <sup>(3)(4)</sup>	929,301	6.7%
William Lyons	-	-
Directors and Officers as a Group	1,409,404	10.2%
 Barbara Asbell		
 7061 Los Coyotes		
 Camarillo, CA 93012	1,162,590	8.3%
Directors, Officers and Beneficial Owners as a Group	2,571,994	18.5%

(1)

As used in this table, beneficial ownership means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security).

(2)

Figures are rounded to the nearest tenth of a percent.

(3)

The address of each person is care of Decision Diagnostics: 2660 Townsgate Road, Suite 300, Westlake Village, CA 91361.

(4)

Includes 89,286 shares r/n/o Michael Petras, an affiliate of Mr. Jagunich

## Changes in Control Agreements

None.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Other than as set forth below, we were not a party to any transactions or series of similar transactions that have occurred during fiscal 2012 in which:

The amounts involved exceeds the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years (\$41,415); and

A director, executive officer, holder of more than 5% of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

None

***Future Transactions***

All future affiliated transactions will be made or entered into on terms that are no less favorable to us than those that can be obtained from any unaffiliated third party. A majority of the independent, disinterested members of our board of directors will approve future affiliated transactions. We believe that of the transactions described above have been on terms as favorable to us as could have been obtained from unaffiliated third parties as a result of arm's length negotiations.

### *Conflicts of Interest*

In accordance with the laws applicable to us, our directors are required to act honestly and in good faith with a view to our best interests. In the event that a conflict of interest arises at a meeting of the board of directors, a director who has such a conflict will disclose the nature and extent of his interest to the meeting and abstain from voting for or against the approval of the matter in which he has a conflict.

### *Director Independence*

Our common stock trades in the OTC Bulletin Board. As such, we are not currently subject to corporate governance standards of listed companies, which require, among other things, that the majority of the board of directors be independent.

Since we are not currently subject to corporate governance standards relating to the independence of our directors, we choose to define an independent director in accordance with the NASDAQ Global Market's requirements for independent directors (NASDAQ Marketplace Rule 4200). The NASDAQ independence definition includes a series of objective tests, such as that the director is not an employee of the company and has not engaged in various types of business dealings with the company.

We do not have any directors that may be considered an independent director under the above definition. We do not list that definition on our Internet website.

We presently do not have an audit committee, compensation committee, nominating committee, executive committee of our Board of Directors, stock plan committee or any other committees.

## **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

(5)(i) The Board of Directors has not established an audit committee. However, the Board of Directors, as a group, carries out the responsibilities, which an audit committee would have. In this respect, the Board of Directors has the responsibility of reviewing our financial statements, exercising general oversight of the integrity and reliability of our accounting and financial reporting practices, and monitoring the effectiveness of our internal control systems. The Board of Directors also recommends selection of the auditing firm and exercises general oversight of the activities of our independent auditors, principal financial and accounting officers and employees and related matters.

The Board of Directors delegates to management of Mr. Berman, the terms of engagement, before we engage independent auditors for audit and non-audit services, except as to engagements for services outside the scope of the original terms, in which instances the services have been provided pursuant to pre-approval policies and procedures, established by management. These pre-approval policies and procedures are detailed as to the category of service and the Board of Directors is kept informed of each service provided.

(7) L.L. Bradford & Company, LLC was retained as our new auditing firm by the Board of Directors in January 2013, for the fiscal year ended December 31, 2012 replacing Weaver Martin & Samyn LLC. For the year ended December 31, 2011 we were billed the following by each Firm for their respective years:

	<b>For the Fiscal Years Ended</b>	
	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
Audit Fees (a)	\$ 36,600	\$ 9,000
Audit-Related Fees (b)		-0-
Tax Fees (c)		-0-
All Other Fees (d)		-0-
Total fees paid or accrued to our principal accountants	\$ 36,600	\$ 9,000

(a)

Includes fees for audit of the annual financial statements and review of quarterly financial information filed with the Securities and Exchange Commission.

(b)

For assurance and related services that were reasonably related to the performance of the audit or review of the financial statements and not included in the Audit Fees category. The company had no Audit-Related Fees for the periods ended December 31, 2012, and 2011, respectively.

(c)

For tax compliance, tax advice, and tax planning services, relating to any and all federal and state tax returns as necessary for the periods ended December 31, 2012 and 2011, respectively.

(d)

For services in respect of any and all other reports as required by the SEC and other governing agencies.

**PART IV****ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.**

The following information required under this item is filed as part of this report:

(a)

1. Financial Statements

	<u>Page</u>
Management Responsibility for Financial Information	42
Management's Report on Internal Control Over Financial Reporting	42
Report of Independent Registered Public Accounting Firms	F-1
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Stockholders Equity	F-5
Consolidated Statements of Cash Flows	F-7
Notes to Consolidated Financial Statements	F-8

(b) 2. Financial Statement Schedules

None.

(c) 3. Exhibit Index

<b>Exhibit</b> <b>number</b>	<b>Exhibit description</b>	<b>Filed</b> <b>herewith</b>	<b>Form</b>	<b>Incorporated by reference</b>		<b>Filing</b> <b>date</b>
				<b>Period</b> <b>ending</b>	<b>Exhibit</b> <b>No.</b>	
3(i)(a)	Articles of Incorporation March 2, 2001	Filed	10-SB		3a	9/27/01
3(i)(b)	Articles of Amendments to Articles of Incorporation May 9, 2001	Filed	10-SB		3b	9/27/01
3(i)(c)			10-QSB	6/30/02	3.1c	8/22/02

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	Articles of Amendments to Articles of Incorporation Filed August 2, 2002			
3(ii)	Bylaws of CareDecision Corporation March 16, 2001	10-SB	3c	9/27/01
10.1	Subscription Agreement Mercator Momentum Fund, LP, Monarch Pointe Fund, LTD & Mercator Advisory Group, LLC February 7, 2005	SB-2/A	10.1	2/11/05
10.2	Certificate of Designation of Preferences and Rights of Series C Convertible Preferred Stock Mercator Momentum Fund, LP, Monarch Pointe Fund, LTD & Mercator Advisory Group, LLC February 2005	SB-2/A	10.2	2/11/05
10.3	Registration Rights Agreement Mercator Momentum Fund, LP, Monarch Pointe Fund, LTD & Mercator Advisory Group, LLC February 2005	SB-2/A	10.3	2/11/05
10.4	Warrant Agreement (\$0.02) Mercator Advisory Group, LLC February 7, 2005	SB-2/A	10.4	2/11/05
10.5	Warrant Agreement (\$0.02) Mercator Momentum Fund, LP February 7, 2005	SB-2/A	10.5	2/11/05
10.6	Warrant Agreement (\$0.02) - Monarch Pointe Fund, Ltd. February 7, 2005	SB-2/A	10.6	2/11/05
10.7	Warrant Agreement (\$0.03) - Mercator Advisory Group, LLC February 7, 2005	SB-2/A	10.7	2/11/05
10.8	Warrant Agreement (\$0.03) - Mercator Momentum Fund, LP February 7, 2005	SB-2/A	10.8	2/11/05
10.9	Warrant Agreement (\$0.03) Monarch Pointe Fund, Ltd. February 7, 2005	SB-2/A	10.9	2/11/05
10.10	Secured Convertible Promissory Note Pinnacle Investment Partners, LP March 24, 2004	SB-2/A	10.10	2/11/05
10.11	Pledge and Security Agreement Pinnacle Investment Partners, LP March 24, 2004	SB-2/A	10.11	2/11/05





<b>Exhibit number</b>	<b>Exhibit description</b>	<b>Filed herewith</b>	<b>Incorporated by reference</b>			
			<b>Form</b>	<b>Period ending</b>	<b>Exhibit No.</b>	<b>Filing date</b>
10.12	Securities Purchase Agreement Pinnacle Investment Partners, LP March 24, 2004		SB-2/A		10.12	2/11/05
10.13	Note Extension Agreement Pinnacle Investment Partners, LP September 24, 2004		SB-2/A		10.13	2/11/05
10.14	Note Extension Pinnacle Investment Partners, LP February 10, 2005		SB-2/A		10.14	2/11/05
10.15	Intangible Property, License Acquisition Agreement CN Pharmacy, Svetislav Milic, & Nathan Kaplan June 7, 2005		8-K		10.1	10/21/05
10.16	Secured Promissory Note Mercator Momentum Fund, LP August 25, 2005		8-K		10.2	10/21/05
10.17	Secured Promissory Note Monarch Pointe Fund, LTD August 25, 2005		8-K		10.3	10/21/05
10.18	Amended and Restated Promissory Note Alpha Credit Resources LLC November 9, 2009		10-K/A		10.18	03/23/11
16.1	Letter of change in certifying accountant		8-K		16.1	04/12/11
23.1	Consent of Independent Registered Public Accounting Firm L.L. Bradford & Company					
23.2	Consent of Independent Registered Public Accounting Firm Weaver Martin & Samyn	X				
31.1	Certification of Principal Executive and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
32.1	Certification of Principal Executive and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				



**SIGNATURES**

In accordance with Section 13 or 15(d) of the Securities Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Decision Diagnostics Corp.**

By: /s/ Keith Berman  
Keith Berman, Chief Financial Officer

Date: April 16, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of the Registrant, in the capacities, and on the dates indicated have signed this report below.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Keith Berman</u> Keith Berman	Chief Financial Officer, Director, Secretary (Principal Executive Officer and Principal Accounting Officer)	April 16, 2013
<u>/s/ Robert Jagunich</u> Robert Jagunich	Director	April 16, 2013
<u>/s/ William Lyons</u> William Lyons	Director	April 16, 2013