DECISION DIAGNOSTICS CORP
Form 10-K
April 16, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended **December 31, 2011**

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** | **91-2105842** |
| --- | --- |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**2660 Townsgate Road, Suite 300**

| **Westlake Village, California** | **91361** |
|---|---|
| (Address of principal executive offices) | (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 X .

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 X .

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 X . No .

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporation Website, if any, every Interactive Date 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 X .

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. X .

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 X . |

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

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. $2,945,041 based on a share value of $0.04.

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 April 13, 2012, 10,155,313 shares of common stock, $0.001 par value, issued and outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.

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**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 objections of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements or 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:

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

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our ability to successfully compete in the pharmaceutical supply industry;

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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;

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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 Diagn 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 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.

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## 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 2011 we began the process of gearing up to introduce to several market channels, a proprietary diagnostic product, the Shasta Genstrip, 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 will be the first sold into the market since early 2008. Shasta Genstrip will compete with a 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.

Typically, and except for our own Shasta Genstrip, which is an alternative product, we distribute name brand diagnostic products. The company directs 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. Decision Diagnostics has spent the last 7 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 will acquire.

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. The 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. We may or may not entertain additional proposed partnerships in the future. We may also find that the launch of our Shasta Genstrip 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.

**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 Shareholders 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 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. 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, 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 90% 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 as soon as the 510(k) is approved by the U.S. FDA, the sales and distribution of Shasta Genstrip. In early March 2012 the company, along with representative of Shasta met with the U.S. FDA to iron out any unresolved issues regarding Shasta s 510(k) application. The company believes it has now answered all of the issues brought to its attention by the writings and discussions with the FDA and hopes for a quick resolution.

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 now that our new proprietary diagnostic product Shasta Genstrip is coming to the market.

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

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 just entered into a broad-based agreement with Shasta Technologies, LLC where we will have exclusive rights to their Shasta Genstrip diagnostic product that we anticipate achieving significant market share in the $22.5 billion annually at-home testing market for chronically afflicted patients, most commonly diabetics.

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.

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 are establishing 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. For us, this is a developing enterprise moving forward to take advantage of the tremendous opportunity created by the national healthcare reform recently signed into law. In addition to our existing medical distribution focus, we also acquired and can employ a proprietary, retail mail order methodology for the distribution of other healthcare supplies

**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.

**PDA Services, Inc.**

In May of 2009, we renewed our agreements originating in 2005, through our subsidiary PDA Services, Inc. with Mr. Svetislav Milic. Pursuant to these agreements, Mr. Milic, has conveyed, free and clear of all liens, encumbrances and liabilities, the wholesale drug distribution license (License Number 5003178) granted to Mr. Milic by the State of New Jersey, and all rights and benefits thereto, plus the goodwill and know-how of Mr. Milic, and other related rights including the use of Colonia s Medicare Provider Identification Number granted the Licensee by virtue of this conveyance. Unless otherwise agreed to, Mr. Milic shall remain the control party of the transferred license for a period of three years after transfer, registration and conveyance. This agreement has been renewed four times since the initial term expired.

In tandem with the Intangible Property License Acquisition Agreement, the parties entered into an Exclusive Agreement Regarding Wholesale Drug Distribution License and Wholesale Drug Distribution Operations wherein the conveyance included the rights to the use of Colonia Natural Pharmacy Inc. s office and warehouse facility approved for the storage and delivery of pharmaceuticals, and Colonia will have no role, and thus, no responsibility or liability, in the conduct of the d/b/a business, including ordering, distribution, or business management of the wholesale business conducted by us or our subsidiaries.

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**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:*

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Episode by episode multiple diagnosis and physician chosen treatment pathways

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

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Eight levels best care medical protocols

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

*Medical Order Entry and Fulfillment:*

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

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

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

*Payer-Related Applications*

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Plan and Procedure Eligibility

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Procedure/Drug Authorization

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Patient Referral

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Hospitalization Admit Decision Tree and schema.

*Benefit for Physicians*

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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

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Lowers office costs by centralizing all formulary and prescription m

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

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

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

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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*

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High degree of formulary compliance

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Expedites claims and Improves outcomes

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Helps in creating excellent standard for quality healthcare for all patients

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

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Reduces errors

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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:

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register and list our products with the FDA;

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

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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 and nine 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 2012. 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 1A. Risk Factors.**

In the course of conducting our business operations, we are exposed to a variety of risks that are inherent to our industry. The following discusses some of the key inherent risk factors that could affect our business and operations, as well as other risk factors, which are particularly relevant to us in the current period of significant economic and market disruption. Other factors besides those discussed below or elsewhere in this report also could adversely affect our business and operations, and these risk factors should not be considered a complete list of potential risks that may affect us.

Risks Relating To Our Business and Marketplace

***Declining economic conditions could negatively impact our business***

Our businesses and earnings are affected by general business and economic conditions in the United States and abroad. General business and economic conditions that could affect us include the level and volatility of short-term and long-term interest rates, inflation, home prices, employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of credit, investor confidence, the cash flows of our customers, the incomplete implementation and status of the new healthcare law, and the strength of the U.S. economy and the local economies in which we operate.

Economic conditions in the United States and abroad deteriorated significantly during the second half of 2008, and the United States, Europe and Japan currently are either in a recession or a prolonged period of slow growth. Many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions, reflecting concern about the stability of the financial markets generally and the strength of counterparties. This market turmoil and tightening of credit have led to a significant reduction in consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets has adversely affected liquidity and access to capital and credit. We do not expect that the difficult conditions in the United States and international financial markets are likely to improve in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us. The 2010 earthquake, tsunami and the resultant business conditions in Japan are particularly troublesome and lowered market growth rates from 25% annually to 10-12% annually.

***Continued instability of the U.S. financial system may have a negative impact on our business.***

Beginning in the fourth quarter of 2008, the U.S. government has responded to the ongoing financial crisis and economic slowdown by enacting new legislation and expanding or establishing a number of programs and initiatives. Each of the U.S. Treasury, the FDIC and the Federal Reserve Board have developed programs and facilities, including, among others, the U.S. Treasury s Troubled Asset Relief Program ( TARP ) Capital Purchase Program and other efforts designed to increase inter-bank lending, improve funding for consumer receivables and restore consumer and counterparty confidence in the banking sector. In addition, Congress recently passed the American Recovery and Reinvestment Act of 2009 (the ARRA ), legislation intended to expand and establish government spending programs and provide tax cuts to stimulate the economy. Congress and the U.S. government continue to evaluate and develop various programs and initiatives designed to stabilize the financial and housing markets and stimulate the economy, including the U.S. Treasury has recently announced Financial Stability Plan and the U.S. governments recently announced foreclosure prevention program. The final form of any such programs or initiatives or related legislation cannot be known at this time. There can be no assurance as to the impact that ARRA, the Financial Stability Plan or any other such initiatives or governmental programs will have on the financial markets, including the extreme levels of volatility and limited credit availability currently being experienced. The failure of these efforts to stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect our business, financial condition, results of operations, access to credit, or the trading price of our securities.

***We have historically lost money, which means that we may not be able to continue operations unless we obtain additional funding.***

We have historically incurred significant losses from operations and have an accumulated deficit of $20,134,069. For the year ended December 31, 2011, we had net loss of $2,117,006 compared to net loss of $471,837 for the year ended December 31, 2010. We cannot assure you that we will be able to continue to achieve revenue growth, profitability or positive cash flow on either a quarterly or annual basis. Although we believe that we have adequate sales to fund our current level of operating activities through December 31, 2012, if we are unable to sustain profitability, we may not be financially viable in the future and may have to curtail, suspend or cease operations.

***We have been dependent on a small number of major customers to support our prescription and non-prescription diagnostics distribution plan and to refer direct to patient business (assignment of medical benefit) to the company.***

In fiscal 2011 our four largest customers accounted for approximately 88% of our net sales, these sales occurring both from direct sales to our customers and the acceptance of benefit for those patients we service directly. We expect that a small but growing number of customers will continue to account for a substantial majority of our sales and that the relative dollar amount and mix of products sold to these customers can change significantly from year to year and how we are paid for business generated, assigned and referred by these customers can change as well. There can be no assurance that our major customers will continue to purchase products or refer business to us at current levels, or that the mix of products purchased will be in the same ratio. The loss of our largest customers, who not only buy product directly, but also refer substantial direct to patient business upon which we accept assignment or may provide direct billing and collection services or accept medical assignment for direct to patient business, or a decrease in product sales would have a material adverse effect on our business and financial condition.

***Our internal controls may be inadequate, which could cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public.***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, the principal executive and principal financial officer and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

We have one individual performing the functions of all officers. This individual is responsible for monitoring and ensuring compliance with our internal control procedures. As a result, our internal controls may be inadequate or ineffective, which could cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public. Investors relying upon this misinformation may make an uninformed investment decision.

***We may not be able to retain our key personnel or attract additional personnel, which could affect our ability to generate revenue sufficient to continue as a going concern diminishing your return on investment.***

Our performance is substantially dependent on the services and on the performance of our Management. Decision Diagnostics is, and will be, heavily dependent on the skill, acumen and services of our CFO, Secretary and Treasurer, Keith Berman and our Chairman Robert Jagunich. Our performance also depends on our ability to attract, hire, retain and motivate our officers and key employees. The loss of the services of our executives could result in lost revenue depending on the length of time and effort required to find a qualified replacement. We have not entered into long-term employment agreements with our key personnel and currently have no "Key Employee" life insurance policies

Our future success may also depend on our ability to identify, attract, hire, train, retain and motivate other highly skilled technical, managerial, marketing and customer service personnel. Competition for personnel with these skill sets is intense, and there can be no assurance that we will be able to successfully attract, assimilate or retain sufficiently qualified personnel. If we are unable to attract, retain, and train the necessary technical, managerial, marketing and customer service personnel, our expectations of increasing our clientele could be hindered, and the profitability of Decision Diagnostics reduced.

***Achieving market acceptance of new or newly integrated products and services is likely to require significant efforts and expenditures.***

Achieving market acceptance for new or newly integrated products and services is likely to require substantial marketing efforts and expenditure of significant funds to create awareness and demand by participants in the healthcare industry. In addition, deployment of new or newly integrated products and services may require the use of additional resources for training our existing sales and customer service personnel and for hiring and training additional salespersons and customer service personnel. There can be no assurance that the revenue opportunities from new or newly integrated products and services will justify amounts spent for their development, marketing and rollout.

***We could be subject to breach of warranty claims if our software products, information technology systems or transmission systems contain errors, experience failures or do not meet customer expectations.***

We could face breach of warranty or other claims or additional development costs if the software and systems we sell or license to customers or use to provide services contain undetected errors, experience failures, do not perform in accordance with their documentation, or do not meet the expectations that our customers have for them. Undetected errors in the software and systems we provide or those we use to provide services could cause serious problems for which our customers may seek compensation from us. We attempt to limit, by contract, our liability for damages arising from negligence, errors or mistakes. However, contractual limitations on liability may not be enforceable in certain circumstances or may otherwise not provide sufficient protection to us from liability for damages.

***We do not have the financial resources to litigate actions involving our copyrights or patent applications or for claims of the receipt of defective or expired medical products, or a drug-counterfeiting claim.***

We have applied to receive patent rights, and trademarks relating to our software. However, patent and intellectual property legal issues for software programs, such as our products, are complex and currently evolving. Patent applications are secret until patents are issued in the United States, or published in other countries, therefore, we cannot be sure that we are first to file any patent application for our technologies, primarily the technology that allows for the safe, secure and near seamless transmission of sensitive medical information from the point of care, directly to our mail order pharmacy. Should any of our patent claims be compromised or if, for example, one of our competitors has filed or obtained a patent before our claims have been prosecuted, or should a competitor with more resources desire to litigate and force us to defend or prosecute any patent rights, our ability to develop the market for our mail order pharmacy could be severely compromised, for we do not have the financial resources to litigate actions involving our patents and copyrights.

Even though we purchase name brand products through our distribution business, and manage the manufacturing of our new Shasta Genstrip product, from time to time we do receive defective, expired or recalled product from suppliers. If the entities that we purchase product from fail to replace the defective or damaged product, our only recourse is to withhold payment. These actions could lead to litigation. In addition, pharmaceutical manufacturers have recently taken advantage of prior case law allowing them to prosecute certain distribution activities as drug counterfeiting claims. While the company maintains general liability, product liability and executive and management liability policies we may not have the financial resources to litigate disputes with companies larger than us and with substantially more resources.

***Our risk management policies and procedures may leave us exposed to unidentified risks or an unanticipated level of risk.***

The policies and procedures we employ to identify, monitor and manage risks may not be fully effective. Some methods of risk management are based on the use of observed historical market behavior. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate. Other risk management methods depend on evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible by us. This information may not be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. We cannot assure you that our policies and procedures will effectively and accurately record and verify this information.

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational and legal reporting systems. Nonetheless, the effectiveness of our ability to manage risk exposure can never be completely or accurately predicted or fully assured.

***Changes in accounting standards, especially those that relate to management estimates and assumptions, are unpredictable and may materially impact how we report and record our financial condition.***

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the value of our assets or liabilities and financial results and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. From time to time the Financial Accounting Standards Board ( FASB ) and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. In addition, accounting standard setters and those who interpret the accounting standards (such as the FASB, the SEC, banking regulators and our outside auditors) may change or even reverse their previous interpretations or positions on how these standards should be applied. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements. For a further discussion of some of our significant accounting policies and standards and recent accounting changes, see Note 1 to the Consolidated Financial Statements.

***Our auditors have expressed substantial doubt as to our ability to continue as a going concern.***

Due to our accumulated deficit and our lack of revenue sufficient to support existing operations, there is substantial doubt about our ability to continue as a going concern. We may need to obtain additional financing in the event that we are unable to realize sufficient revenue. We may incur additional indebtedness from time to time to finance acquisitions, provide for working capital or capital expenditures or for other purposes There can be no assurance that we will have funds sufficient to continue operations, and the failure to do so could lead to an inability to meet our financial obligations and therefore result in bankruptcy and the loss of your entire investment in Decision Diagnostics common shares.

Risks Relating To Our Common Stock

***If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board, which would limit the ability of broker-dealers to sell our securities and the ability of Shareholders to sell their securities in the secondary market.***

Companies trading on the OTC Bulletin Board, such as us, generally must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. More specifically, FINRA has enacted Rule 6530, which determines eligibility of issuers quoted on the OTC Bulletin Board by requiring an issuer to be current in its filings with the Commission. Pursuant to Rule 6530(e), if we file our reports late with the Commission three times in a two-year period or our securities are removed from the OTC Bulletin Board for failure to timely file twice in a two-year period then we will be ineligible for quotation on the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of Shareholders to sell their securities in the secondary market.

***Because our common stock is deemed a low-priced Penny stock, an investment in our common stock should be considered high risk and subject to marketability restrictions.***

Since our common stock is a penny stock, as defined in Rule 3a51-1 under the Securities Exchange Act, it will be more difficult for investors to liquidate their investment even if and when a market develops for the common stock. Until the trading price of the common stock rises above $5.00 per share, if ever, trading in the common stock is subject to the penny stock rules of the Securities Exchange Act specified in rules 15g-1 through 15g-10. Those rules require broker-dealers, before effecting transactions in any penny stock, to:

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Deliver to the customer, and obtain a written receipt for, a disclosure document;

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Disclose certain price information about the stock;

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Disclose the amount of compensation received by the broker-dealer or any associated person of the broker-dealer;

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Send monthly statements to customers with market and price information about the penny stock; and

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In some circumstances, approve the purchaser s account under certain standards and deliver written statements to the customer with information specified in the rules.

Consequently, the penny stock rules may restrict the ability or willingness of broker-dealers to sell the common stock and may affect the ability of holders to sell their common stock in the secondary market and the price at which such holders can sell any such securities. These additional procedures could also limit our ability to raise additional capital in the future.

***Recent and possible future issuances of common stock will have a dilutive effect on existing shareholders.***

Our Certificate of Incorporation authorizes the Board of Directors to issue up to 1,750,000,000 shares of common stock and 5,000,000 shares of preferred stock. The power of the Board of Directors to issue shares of common stock, preferred stock or warrants or options to purchase shares of common stock or preferred stock is generally not subject to shareholder approval. Accordingly, any additional issuance of our common stock, or preferred stock that may be convertible into common stock, may have the effect of diluting one s investment.

***By issuing preferred stock, we may be able to delay, defer or prevent a change of control.***

We are authorized to issue a total of 5,000,000 shares of blank check preferred stock and up to; 2,500 shares of Series B, 10,000 shares of Series C, and 1,250,000 shares of Series E, Convertible Preferred Stock (for a combined total of 1,262,500 shares of preferred stock). Our Board of Directors can determine the rights, preferences, privileges and restrictions granted to, or imposed upon, the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series. It is possible that our Board of Directors, in determining the rights, preferences and privileges to be granted when the preferred stock is issued, may include provisions that have the effect of delaying, deferring or preventing a change in control, discouraging bids for our common stock at a premium over the market price, or that adversely affect the market price of and the voting and other rights of the holders of our common stock.

***FINRA sales practice requirements may also limit a Shareholder's ability to buy and sell our stock.***

In addition to the penny stock rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

**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.

On June 7, 2005, we entered into an agreement for the right to use offices, warehouses and shipping facilities for the storage and shipping of pharmaceuticals located at 515 Inman Avenue, Colonia, NJ 07067 and 25 Minna Street, Rahway, NJ 07065 for a monthly rental fee of $3,850. These buildings total 4,000 square feet but our right to use is not exclusive.

**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 $205,500 for each of the years ended December 31, 2011 and 2010.

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.

**Monarch Pointe Fund, Ltd (BVI) in receivership vs. Decision Diagnostics Corp. et al.**

On June 24, 2010, Monarch Point Fund, Ltd. (BVI) (in receivership) brought an action in United States District Court, Central District of California, Case # CV 10 4703 against Decision Diagnostics Corp., Keith Berman and Robert Cox alleging conversion by Decision Diagnostics of certain Convertible Preferred Series C Stock allegedly owned by Monarch, breach of contract and breach of a promissory note. On August 12, 2010 the company received an initial formal settlement offer through the counsel for the Liquidator. Subsequently there have been additional offers and counter-offers. Among other stated issues these offers of settlement are intended to bring an end to the litigation. The company settled this litigation in May 2011 by issuing to Monarch 214,286 (post-split) shares of its $0.001 par value common stock.

**Lifescan Scotland, LLC 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. brought suit against Shasta Technologies, LLC (Shasta), InstaCare Corp. (now known as Decision Diagnostics Corp.), Pharma Tech Solutions, Inc. et al in the United States District Court, Northern District of California, San Jose Division, Case # CV11-04494-MEJ, alleging patent infringement, seeking injunctive relief and damages as a result of an alleged infringement on Patents 5,708,247 and 6,241,862. InstaCare Corp. (now known as Decision Diagnostics Corp.) and Pharma Tech Solutions have answered the complaint, denying all of its material allegations and asserting a number of affirmative defenses. InstaCare Corp. (now known as Decision Diagnostics Corp.) and Pharma Tech Solutions, Inc. are entitled to be indemnified by Shasta, and the attorney for Shasta has notified Shasta s insurance carrier that InstaCare Corp. (now known as Decision Diagnostics Corp.) and Pharma Tech Solutions, Inc. are entitled to a defense under Shasta s insurance policy. The companies also carry insurance and have demanded a defense from its own carriers. Since the suit remains in its early stages it is too soon to determine the course of the litigation. Management intends to vigorously defend this lawsuit."

**Item 4. (removed and reserved)**

## PART II

**Item 5. Market for Registrant s Common Equity, Related Shareholder 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 2011 and 2010. The quotations from the OTC Bulletin Board reflect inter-dealer prices without retail mark-up, markdown, or commissions and may not represent actual transactions.

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **High** | **Low** | **High** | **Low** |
| 1st Quarter | $ 1.12 | $ 0.57 | $ 0.174 | $ 0.091 |
| 2nd Quarter | $ 0.76 | $ 0.25 | $ 0.115 | $ 0.063 |

| | | | | |
|---|---|---|---|---|
| 3rd Quarter | $ 0.61 | $ 0.17 | $ 0.080 | $ 0.057 |
| 4th Quarter | $ 0.65 | $ 0.10 | $ 0.060 | $ 0.037 |

**(b) Holders of Common Stock**

As of March 15, 2012, there were approximately 848 holders of record of our Common Stock and 10,155,313 shares outstanding. As of March 31, 2012, the closing price of our shares of common stock on the OTCQB was $0.29 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 (post-split) shares that may be issued. We have granted a total of 398,104 (post-split) options under this plan all of which have been exercised. As of December 31, 2011, 52,789 (post-split) 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 (post-split) shares. We have granted a total of 77,307 (post-split) options under this plan of which 63,021 (post-split) options have been exercised or expired and 14,286 are exercisable. As of December 31, 2011, 3,050 (post-split) 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 1,821,429 (post-split) shares that may be issued. We have granted a total of 1,023,725 (post-split) options under this plan all of which have been exercised or expired. As of December 31, 2011, 797,704 (post-split) 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.

The following table sets forth information as of December 31, 2011 regarding outstanding options granted under the plans, warrants issued to consultants and options reserved for future grant under the plan.

| Plan Category | Number of share to be issued upon exercise of outstanding options, warrants and rights (post-split) (a) | Weighted- average exercise price of outstanding options, warrants and rights (post-split) (b) | Number of shares available for future issuance under equity compensation plans (excluding shares reflected in column(a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by shareholders | - | $ - | - |
| Equity compensation plans not approved by shareholders | 14,286 | $ 0.80 | 710,686 (1) |
| Total | 14,286 | $ 0.80 | 710,686 |

(1)

Includes 52,789 (post-split) options remaining for issuance under the 2004 Option Plan, 3,050 (post-split) options remaining for issuance under the 2005 Option Plan, and 654,847 (post-split) options remaining under the 2006 Option Plan.

**Recent Sales of Unregistered Securities**

On January 5, 2011, we issued 272 (post-split) shares of our restricted common stock to Alpha Credit Resources for our December 2010 financing fees valued at $182 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.

On January 5, 2011, we issued 2,857 (post-split) shares of our restricted common stock to two individuals, Mr. Walling and Ms. Lucas, for research, communication, sales and marketing services performed for the Company valued at $2,000. 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 8 and March 23, 2011, we issued a total of 14,286 (post-split) shares of our restricted common stock to Cadence Consulting as consulting fees valued at $12,400. 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 8, 2011, we issued 61,429 (post-split) shares of our restricted common stock to Michelle Abraham upon her election to exercise options for cash totaling $30,100. 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 8, 2011, we issued 61,225 (post-split) shares of our restricted common stock to Leslie Michelle Wolf upon her election to exercise options for services valued at $30,000. 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 April 15, 2011 and June 9, 2011, we issued 2,500 and 2,857 (post-split) shares, respectively of our restricted common stock to William Walling for his marketing services valued at $3,000. 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 955 (post-split) shares of our restricted common stock to Alpha Credit Resources for 2011 financing fees valued at $37,175 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, 2011, we issued 677,500 (post-split) shares of our restricted common stock to Alpha Credit Resources upon their election to convert 189,700 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 May 31, 2011, we issued 214,286 (post-split) shares of our restricted common stock to Monarch Point Fund Limited to settle Monarch s case against us. The value of the shares on the date of issuance was $120,000. 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 June 14, 2011, we issued 57,143 (post-split) shares of our restricted common stock to Daniel Myers upon his election to exercise options for services valued at $32,000. 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 29, 2011, we issued 35,714 (post-split) shares of our restricted common stock to TPC Holdings Group upon its election to exercise options for services valued at $7,729. 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 19, 2011, we issued 275 (post-split) shares of our restricted common stock to two individuals, Kimberly Binder and Patrick DeParini for consulting services performed in connection with our business development activities. The fair value of the services totaled $126. 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 30, 2011, we issued 847,566 (post-split) shares of our restricted common stock to our shareholders of record pursuant to a 10% stock dividend approved by our Board of Directors.

**Issuer Purchases of Equity Securities**

We did not repurchase any of our equity securities during the years ended December 31, 2011 or 2010.

**Item 6. Selected Financial Data.**

Not applicable.

**Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.**

**Overview of Current Operations**

We are a publicly traded distributor of life-saving and life-enhancing prescription and non-prescription diagnostics to several channels in the healthcare industry, a developer of patent-pending technologies for e-health and EMR applications that we employ to leverage and add value to our prescription and non-prescription diagnostics business, and a technology provider to the lodging industry. We have recently added modules to our medical and EMR applications that allow for the management of medical products distribution and reporting management. We are in the initial stages of marketing these new modules under the trade name Decision IT.

Our proprietary MD@Work, MD@Hand and MD@Practice-Probe technologies manage critical data, enhance productivity and e-commerce, and facilitate communication with applications in the healthcare, medical distribution and hotel/motel markets and industries. We have recently focused our business attention towards providing prescription drugs and medical diagnostics through several medical distribution channels. In March 2010, the Board of Directors authorized the sale of our Residenceware technologies and customer list.

During the next 12 months, we plan to continue to focus our efforts on the following primary businesses:

§

Providing medical communication devices based on networks of personal digital assistants (smart cell phone). 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;

§

The distribution of medical diagnostic products primarily aimed at institutions that service patients with diabetic and asthma related diseases and ailments. Our current market focus for these products is the assisted living and long term care sector of the larger healthcare market, however we plan to expand into additional sectors where we can service certain chronic ambulatory disease states;

§

Providing medical communication devices based on networks of personal digital assistants (smart cell phone) and desktop computers with software that manages decision, control, audit and fulfillment for the medical products distribution markets. These products are believed to provide benefits of on demand medical information to medical products manufacturers as part of their financial management of distribution contracts;

§

The distribution and fulfillment of prescriptions for ethical pharmaceuticals primarily aimed at the indigent and uninsured sectors of the greater medical service markets. Our first market focus for these products will be those state Medicaid and federally chartered clinics (and initiatives) where funding for pharmaceutical fulfillment enterprises exists.

Seasonality

The distribution of medical products and medical diagnostics in aggregate account for the overwhelming percentage of our revenues. Our experiences point to a business that displays certain seasonal trends. In each of the last four operating years, our order intake was concentrated in the first five months of the calendar year and to an identifiable but lesser degree in the last two months of the calendar year. One explanation is that these months correspond with the beginning of a prescription drug plan years where new prescription drug cards are distributed by insurers to their insured in January along with new plan formularies (price schedules). This in turn trends to influence stocking up buying/ordering behavior on the part of the insured. We anticipate that these trends will be affected by the introduction of Shasta Genstrip where initial stocking by the company s retail customers and distribution chains.

**Results of Operations for the years ended December 31, 2011 and 2010 compared.**

The following tables summarize selected items from the statement of operations for the years ended December 31, 2011 compared to 2010.

**INCOME:**

| | For the Years Ended December 31, | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2011** | **2010** | **$** | **%** |
| Revenue | $ 12,112,093 | $ 18,913,712 | $ (6,801,619) | (36%) |
| Cost of sales | 9,236,052 | 17,277,058 | (8,041,006) | (47%) |
| Gross profit | $ 2,876,041 | $ 1,636,654 | $ 1,239,387 | 76% |
| Gross profit margin | 23.75% | 8.65% | | 174% |

Revenue for the fiscal year ended December 31, 2011 was $12,112,000 compared to revenue of $18,914,000 in the fiscal year ended December 31, 2010. The significant 36% decline in revenue is the result of limited access to our credit facility, which is a necessary component in facilitating our conversion cycle. In addition, we also attribute a portion of the decline to general economic conditions evidenced by a decrease in our accounts receivable turnover ratio in 2011.

We experienced a 47% decrease in our cost of goods due in part to our revenue decrease but more significantly was the result of managements re-negotiated wholesale costing of our largest volume product from our major suppliers. As a result of stronger buying power and despite our limited liquidity, our increase gross profit margin increased 174% over the previous fiscal year from 9% to 24%.

**OPERATING EXPENSES:**

| | For the Years Ended December 31, | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2011** | **2010** | **$** | **%** |
| **Expenses:** | | | | |
| General & administrative | $ 307,488 | $ 337,154 | $ (29,665) | (9%) |
| Consulting | 139,924 | 310,449 | (170,525) | (55%) |
| Payroll expense | 54,641 | 58,524 | (3,883) | (7%) |
| Professional fees | 111,373 | 146,227 | (34,854) | (24%) |
| Operating expenses | 613,426 | 852,354 | (238,927) | (28%) |
| Bad debt expense | 3,269,908 | - | 3,269,908 | - |
| Total operating expenses | 3,883,334 | 852,354 | 3,030,981 | 356% |
| Net operating (loss) income | $ (1,007,293) | $ 784,300 | $ (1,791,594) | |

Our normal operating expenses decreased by approximately 28% over the previous year. The most significant decrease related to a decline in the amounts paid to our consults. As we become more established in our business segment and with our customer relationships, we are less dependent on outside sources for market entry points as evidenced by the $171,00 decline in fees. However, we do anticipate a continuation in our consulting expense primarily in connection with market expansion and the introduction of new products. We will also continue to utilize outside consultants in our efforts to secure additional financing for the stability and growth of the Company.

Total overall operating expenses incurred during 2011 increased 356% specifically due to the amount of uncollectible accounts receivable and the addition of a collection allowance which we have not previously required. During 2011, we experienced an increase in the number of days for conversion of our accounts receivable. Historically our accounts receivable turnover ratio approximated 7.0, at December 31, 2011 this ratio declined to 3.72. We believe the change in turnover is directly related to the impact of a depressed economic environment. Our customer base is concentrated among four significant purchasers and when combined, they represent 88% of our total sales and 95% of our accounts receivable balance at December 31, 2011. In 2010, the amounts owed to us by this group totaled $2.6M, all of which was within payment terms. At December 31, 2011, this same group had outstanding balances totaling $3.8M of which $2.6M exceeded normal payment terms. Due to the uncertainty of the collectability, we have recorded a reserve allowance of $1.2M and a direct write-down of $2M. We believe it necessary to maintain a conservative approach with respect to presentation however, we are also confident that as economic conditions improve, we will experience a return to historical trends.

**OTHER INCOME (EXPENSE):**

| | For the Years Ended December 31, | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2011** | **2010** | **$** | **%** |
| **Other income (expense)** | | | | |
| Financing costs | $ (488,843) | $ (186,899) | $ 301,994 | 162% |
| Interest expense | (483,720) | (458,280) | 25,440 | 6% |
| Settlement expense | (179,000) | (648,004) | (469,004) | (72%) |
| Gain on debt settlement | 41,850 | 34,046 | 7,804 | 23% |
| Other income | - | 3,000 | (3,000) | - |
| Total operating expenses | (1,109,713) | (1,256,137) | (136,766) | (11%) |
| Net (loss) | $ (2,117,006) | $ (471,837) | $ 1,645,170 | 347% |

Our other income and expense represents costs related to our financing activities, more specifically the costs associated with our line of credit with Alpha Credit Resources LLC ( Alpha Credit ), formerly Centurion Credit Resources LLC. Alpha Credit had provided us a line of credit up to $2,500,000. Our credit line came to term on December 31, 2011. Our costs associated with maintaining our line of credit include the issuance of shares of our common stock equal to 80% of each advance. During 2011, we were advanced a total of $5,500,000 compared to $15,800,000 in 2010. The fair value of shares issued in connection with these advances is included in financing costs. In addition to the share issuances, pursuant to the term of our agreement with Alpha Credit, we are charged interest at a rate of 2% per month on the unpaid principal balance. During 2011, we recorded $457,000 compared to $401,000 in 2010. The remaining interest expense of $27,000 originates from two notes payable with a total principal balance of $184,000 and credit card interest.

For the years ended December 31, 2011 and 2010, 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 2010, settlements were negotiated down $34,000 compared to $42,000 in 2011. In addition to the negotiated gains, we also agreed to pay a settlement fee of $117,214 to one note holder upon the conversion of the principal balance of the note. We do not anticipate further gains on debt settlement or other settlement cost during 2012.

**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, 2011 compared to December 31, 2010.

| | December 31, | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2011** | **2010** | **$** | **%** |
| Current assets | $ 4,537,949 | $ 4,690,218 | $ (24,971) | (29%) |
| Current liabilities | 2,532,217 | 2,127,110 | 405,107 | 19% |
| Working capital | $ 2,005,732 | $ 2,563,108 | $ (557,376) | (22%) |

*Internal and External Sources of Liquidity*

**MAG Entities Agreement**

On February 7, 2005, we entered into agreements with Mercator Momentum Fund, LP and Monarch Pointe Fund, Ltd. (collectively, the Purchasers ) and Mercator Advisory Group, LLC, later known as MAG Capital, LLC ( MAG ). Under the terms of the agreements, we agreed to issue and sell to the Purchasers, and the Purchasers agreed to purchase from the Company, 20,000 shares of Series C Convertible Preferred Stock at $100.00 per share. Additionally, we issued 1,250,000 warrants to purchase share of our common stock at $1.60 per share, all of the warrants expired on February 7, 2008. However, prior to the expiration of the warrants, MAG ordered the company to transfer the warrants originally issued to Mercator Momentum Fund, LP and Monarch Pointe Fund, Ltd. to MAG Capital, LLC, in breach of the agreements.

Through September 30, 2009, MAG had converted 2,140 shares of their Series C preferred into 1,372,901 shares of our restricted common stock. Subsequently MAG attempted to convert shares without seeking the company s concurrence, a breach of the agreements. On several occasions, MAG succeeded. In addition, MAG pre-sold shares that would have resulted from conversions, a breach of the anti-short sale provisions of the agreements. On October 8, 2008 the company received a letter from Kroll (BVI) Limited of the British Virgin Islands ( Receiver or Liquidator ) informing the company that the Monarch Pointe Fund, Ltd ( Monarch ) had lapsed into receivership and/or liquidation. The company was advised to cease all written and/or oral communications with MAG Capital, LLC.

Beginning in late 2009 we have received and exchanged additional letters regarding this liquidation whereupon the Liquidator made specific demands for certain stock and repayment of a certain Promissory Note. However these demands were never made specific enough for the company to respond in any way other than to ask the Liquidator to provide full documentation supporting their alleged claims. Subsequently on June 24, 2010, Monarch Point Fund, Ltd. (in receivership) brought an action in federal district court against Decision Diagnostics Corp., Keith Berman and Robert Cox. The company and Mr. Berman intend to vigorously defend this suit and also intend to file counterclaims in this matter. On August 12, 2010 we received an initial settlement offer through the counsel for the Liquidator. Subsequently there have been additional offers and counter-offers. Among other stated issues these offers of settlement will bring an end to the litigation.

On May 31, 2011, we issued 214,286 (post-split) shares of our $0.001 par value common stock to Monarch Point Fund, Ltd. to settle the case out of court. The value of the shares on the date of issuance was $120,000.

**Convertible Loan Payment Agreement**

On July 17, 2006, we entered into a convertible loan payment agreement with Wayne G. Knapp wherein Mr. Knapp agreed to loan the Company the sum of $200,000. The loan is for 120 days. On October 17, 2006, we renewed the note. On January 17, 2007, the parties verbally agreed to a renewal that expires on May 16, 2007. The note accrues monthly interest at a rate of 1.50% and the interest is payable quarterly in cash. The total amount owing pursuant to the agreement, was convertible at the option of Mr. Knapp at any time from July 17, 2006 until November 30, 2006, at the strike price equal to $0.32 per share or 90% of the final bid price of our common stock on the day prior to conversion with a floor price of $0.10 per share. We renewed Mr. Knapp s conversion option on January 17, 2007. We also issued Mr. Knapp a warrant to purchase 3,571 (post-split) shares of our common stock at $4.48 per share through December 31, 2009. Mr. Knapp exercised his option on March 30, 2007. In March 2010, Mr. Knapp elected to convert his note and accrued interest into 207,143 common stock shares.

**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.

**Cragmont Capital, LLC**

In March 2008, we entered into a Convertible Promissory Note Purchase Agreement with Cragmont Capital, LLC ( Cragmont ) wherein Cragmont agreed to loan the Company an aggregate sum of $250,000. As of September 30, 2008, we have received $75,000. Cragmont contends the loan was for one year, maturing on February 28, 2009. The total amount owing pursuant to the agreement, was convertible at the option of the lender, at a strike price equal to $0.015 per share. Further, we agreed subject to certain conditions to issue 100 warrants with a strike price of $0.03 expiring on December 31, 2010 for every dollar loaned by Cragmont.

The warrant transaction was conditioned upon Cragmont purchasing the warrant at closing. No agreement was ever reached with Cragmont as to the purchase price for the warrants, and they were never purchased by Cragmont at the closing. During the year ended December 31, 2008, we terminated our relationship with Cragmont. On March 10, 2010, we issued payment in the amount of $75,000 to Cragmont, representing the return of partial funding pursuant to our rescission of the March 1, 2008 agreement. The company entered formal settlement discussions covering the remainder of the agreement in dispute in July 2010 and completed the settlement in October, 2010.

***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, 2011, our cash balance was $14,869. 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 Weaver Martin & Samyn LLC (2011) and Seale & Beers, CPA s (2010) 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).

Index to Financial Statements

**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

**SEALE AND BEERS, CPAs**

*PCAOB & CPAB REGISTERED AUDITORS*

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors and Stockholders of**

**Decision Diagnostics Corp. (formerly InstaCare Corp)**

**Westlake Village, CA**

We have audited the accompanying consolidated restated balance sheet of Decision Diagnostics Corp (formerly InstaCare Corp) as of December 31, 2010, and the related consolidated statements of operations, stockholders equity and cash flows for the year then December 31, 2010. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audits provide 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, 2010 (restated), and the related consolidated statements of operations, stockholders equity and cash flows for the year then December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

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, which raises substantial doubt about its ability to continue as a going concern. Management s plans

concerning 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.

As discussed in Note 11 to the financial statements, the Company has restated its balance sheet.

***/s/ Seale and Beers, CPAs***

Seale and Beers, CPAs

Las Vegas, Nevada

April 15, 2011, except for Notes 1 and 3, which the date is May 20, 2011

*50 S. Jones Blvd. Suite 202 Las Vegas, NV 89107 Phone: (888)727-8251 Fax: (888)782-2351*

**Decision Diagnostics Corp.**

**(Formerly InstaCare Corp.)**

**Consolidated Balance Sheet**

| | December 31, 2011 | 2010 (Restated) |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash | $ 14,869 | $ 220,390 |
| Accounts receivable, net of allowance | 3,256,504 | 3,155,184 |
| Prepaid expenses | 1,266,576 | 1,314,644 |
| Total current assets | 4,537,949 | 4,690,218 |
| **Other assets** | | |
| Intellectual property | 69,535 | 9,950 |
| Total other assets | 69.535 | 9,950 |
| Total assets | $ 4,607,484 | $ 4,700,168 |
| **Liabilities and Shareholders Equity** | | |
| **Current liabilities:** | | |
| Accounts payable and accrued liabilities | $ 222,659 | $ 188,043 |
| Accrued interest | 134,712 | 116,521 |
| Line of credit related party | - | 1,598,801 |
| Line of credit | 1,992,168 | - |
| Notes payable and short term borrowings | 182,678 | 223,745 |
| Total current liabilities | 2,532,217 | 2,127,110 |
| **Contingencies** | 205,500 | 205,500 |
| **Shareholders Equity** | | |
| Preferred stock, $0.001 par value, 3,237,500 shares authorized, no shares issued and outstanding as of December 31, 2011 and 2010, respectively | - | - |
| Preferred series B stock, $0.001 par value, 2,500 shares authorized 1,000 and no shares issued and outstanding as of December 31, 2011 and 2010, respectively | 1 | - |
| Preferred series C stock, $0.001 par value, 10,000 shares authorized, 1,250 and no shares issued and outstanding as of December 31, 2011 and 2010, respectively | 1 | - |
| Preferred series E stock, $0.001 par value, 1,750,000 shares authorized, 1,095,300 and 1,110,000 shares issued and outstanding as of December 31, 2011, and 2010, respectively | 1,095 | 1,110 |
| Common stock, $0.001 par value, 1,750,000,000 shares authorized, 9,307,934 and 7,332,198shares issued and outstanding as of December 31, 2011 and 2010, respectively | 9,308 | 7,332 |
| Subscription receivable | (68,315) | (80,000) |
| Additional paid in capital | 22,061,746 | 20,456,179 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Accumulated (deficit) | | | | | (20,134,069) | (18,017,063) |
| Total Shareholders | equity | | | | 1,869,767 | 2,367,558 |
| | Total liabilities and Shareholders | equity | $ | | 4,607,484 | $ 4,700,168 |

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

**Decision Diagnostics Corp.**

**(Formerly InstaCare Corp.)**

**Consolidated Statements of Operations**

| | The Years Ended December 31, | |
|---|---|---|
| | **2011** | **2010** |
| **Revenue:** | | |
| Sales | $ 12,112,093 | $ 18,913,712 |
| Cost of sales | 9,236,052 | 17,277,058 |
| **Gross profit** | 2,876,041 | 1,636,654 |
| **Expenses:** | | |
| General & administrative | 3,577,396 | 337,153 |
| Consulting | 139,924 | 310,449 |
| Payroll expense | 54,641 | 58,524 |
| Professional fees | 111,373 | 146,227 |
| Total expenses | 3,883,334 | 852,353 |
| **Net operating income (loss)** | (1,007,293) | 784,301 |
| **Other income (expense):** | | |
| Financing costs | (488,843) | - |
| Financing costs related party | - | (186,899) |
| Interest expense | (483,720) | (57,499) |
| Interest expense related party | - | (400,781) |
| Other income | - | 3,000 |
| Settlement expense | (179,000) | (648,004) |
| Gain on debt forgiveness | 41,850 | 34,046 |
| Total other income (expense) | (1,109,713) | (1,256,137) |
| **Net (loss)** | (2,117,006) | (471,837) |
| Add: Dividends declared on preferred | - | - |
| (Loss) available to common shareholders' | $ (2,117,006) | $ (471,837) |
| Weighted average common shares outstanding basic and fully diluted | 8,080,645 | 6,684,291 |
| Net (loss) per share basic and fully diluted | $ (0.26) | $ (0.07) |

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

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**Decision Diagnostics, Corp.**

**(formerly InstaCare Corp.)**

**Consolidated Statement of Changes in Shareholders Equity**

| | Preferred B Stock Shares | Amount | Preferred C Stock Shares | Amount | Preferred E Stock Shares | Amount | Common Stock Shares | Amount | Additional Paid-in Capital | Unamortized Share Issuances | Amortizable Equity Compensation | A |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2009 | - | $ - | - | $ - | 932,216 | $ 932 | 5,475,160 | $ 5,475 | $18,825,679 | $ - | $ (67,363) | $( |
| Shares issued for services | - | - | - | - | - | - | 43,929 | 44 | 55,946 | - | - | |
| Options and warrants issued for services | - | - | - | - | - | - | - | - | 119,774 | - | - | |
| Shares issued for financing | - | - | - | - | - | - | 3,261 | 3 | 122,314 | - | - | |
| Options exercised for cash | - | - | - | - | - | - | 523,810 | 524 | 311,476 | (80,000) | - | |
| Conversion of Series E preferred stock | - | - | - | - | (222,216) | (222) | 561,786 | 562 | (341) | - | - | |
| Series E escrow shares issued for financing | - | - | - | - | 200,000 | 200 | - | - | (200) | - | - | |
| Series E issued for renewal fee | - | - | - | - | 200,000 | 200 | - | - | 399,800 | - | - | |
| Shares issued for debt conversion | - | - | - | - | - | - | 724,253 | 724 | 621,731 | - | - | |
| Amortization of prepaid finance fees | - | - | - | - | - | - | - | - | - | - | 21,250 | |
| Amortization equity compensation | - | - | - | - | - | - | - | - | - | - | 46,113 | |
| Net (loss) | - | - | - | - | - | - | - | - | - | - | - | |
| Balance, December 31, 2010 | - | - | - | - | 1,110,000 | 1,110 | 7,332,199 | 7,332 | 20,456,179 | (80,000) | - | ( |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Shares issued for services | - | - | - | - | - | - | 174,000 | 174 | 85,081 | - | - |
| Shares released to escrow | - | - | - | - | 175,000 | 175 | - | - | 84,825 | - | - |
| Shares issued for financing | - | - | - | - | - | - | 954 | 1 | 37,174 | - | - |
| Shares issued to escrow for financing | 1,000 | 1 | - | - | - | - | - | - | (1) | - | - |
| Shares issued for exercise options for cash | - | - | - | - | - | - | 61,429 | 61 | 30,039 | - | - |
| Conversion of Series E preferred stock | - | - | - | - | (189,700) | (190) | 677,500 | 678 | (488) | - | - |
| Shares issued for debt settlement | - | - | - | - | - | - | 214,286 | 214 | 119,786 | - | - |
| Shares for patent legal defense | - | - | 1,250 | 1 | - | - | - | - | 1,249,999 | - | - |
| Subscription payment | - | - | - | - | - | - | - | - | | 11,685 | - |
| 10% stock dividend | - | - | - | - | - | - | 847,566 | 848 | (848) | - | - |
| Net (loss) | - | - | - | - | - | - | - | - | - | - | - |
| Balance, December 31, 2011 | 1,000 | $ 1 | 1,250 | $ 1 | 1,095,300 | $ 1,095 | $9,307,934 | $ 9,308 | $22,061,746 | $ (68,315) | $ -$( |

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

**Decision Diagnostics, Corp.**

**(Formerly InstaCare Corp.)**

**Consolidated Statements of Cash Flows**

| | For the Years Ended December 31, | |
|---|---|---|
| | **2011** | **2010** |
| **Cash flows from operating activities** | | |
| Net (loss) | $ (2,117,006) | $ (471,837) |
| Adjustments to reconcile net income to net cash provided (used) by operating activities | | |
| Shares and options issued for services | 85,255 | 175,767 |
| Shares issued for financing | 122,174 | 122,317 |
| Amortization of financing fees | 366,667 | 54,583 |
| Bad debt allowance | 1,241,043 | 1,156,750 |
| Shares issued for settlement expenses | 120,000 | - |
| Gain on debt settlement | (41,849) | (34,046) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (1,342,363) | (699,287) |
| Prepaid expenses | 1,298,068 | (863,605) |
| Accounts payable | (24,971) | 6,053 |
| Accrued liabilities | 59,587 | (82,383) |
| Accrued interest | 24,705 | 35,874 |
| Net cash (used) by operating activities | (208,690) | (599,817) |
| **Cash flows (used) in investing activities** | | |
| Intellectual property | (59,585) | (9,950) |
| Net cash (used) by investing activities | (59,585) | (9,950) |
| **Cash flows from financing activities** | | |
| Proceeds (payments), line of credit | 26,701 | - |
| Proceeds (payments), line of credit related party | - | 371,902 |
| Payments on notes payable | (5,732) | (13,047) |
| Options exercised for cash | 41,785 | 232,000 |
| Net cash provided by financing activities | 62,754 | 590,855 |
| Net (decrease) in cash | (205,521) | (18,912) |
| Cash beginning | 220,390 | 239,302 |
| Cash ending | $ 14,869 | $ 220,390 |
| Supplemental disclosures: | | |
| Interest paid | $ 458,239 | $ 418,247 |
| Income taxes paid | $ - | $ - |
| Non-cash transactions: | | |

| | | | | |
|---|---|---|---|---|
| Shares and options issued for services | $ | 85,255 | $ | 175,767 |
| Shares issued for settlement expenses | $ | 120,000 | $ | - |
| Shares issued for financing activities | $ | 122,174 | $ | 122,317 |
| Shares issued for debt conversion | $ | - | $ | 622,454 |

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

**Decision Diagnostics Corp.**

**(Formerly InstaCare Corp.)**

**Notes to Consolidated Financial Statements**

**Note 1 Significant accounting policies and procedures**

Organization

We were organized July 6, 2000 (Date of Inception) under the laws of the State of Nevada as Promedicius, Inc. In May 2001, we changed our name to Medicius, Inc. On June 21, 2002, we merged with ATR Search Corp., a development stage company, and a Nevada corporation. The merger has been accounted for as a recapitalization and the historical financial statements of Medicius Inc. are presented herein.

On June 21, 2002, we filed an amendment to its articles of incorporation changing our name to CareDecision Corporation and subsequently changed our name to Decision Diagnostics Corp. effective April 14, 2005.

On November 19, 2004, we incorporated two Nevada subsidiary companies, Pharma Tech Solutions, Inc. and PDA Services, Inc. On November 24, 2004, we entered into an Agreement and Plan of Merger , as amended on December 27, 2004, between Pharma Tech Solutions, Inc. and CareGeneration, Inc. ( CareGen ), a Nevada corporation. This agreement included CareGen s private acquisition of retail pharmaceutical license applications, client lists, receivables, business contacts, relationships, goodwill and the rights to use the wholesale pharmaceutical distribution license, trade names and sales names of Kelly Company World Group, Inc., a Delaware corporation. On February 25, 2005, the merger was completed whereby CareGen merged with Pharma Tech wherein CareGen ceased to exist and Pharma Tech continued as a majority owned subsidiary.

On January 4, 2005, we commenced prescription drug distribution, which are, currently being conducted through our Pharma Tech Solutions, Inc. and PDA Services, Inc. subsidiaries. We specialize in rapid delivery of prescription drugs and diagnostic products; we are in the final stages of augmenting its prescription drug and prescription diagnostics distribution business by creating a nationwide network over the internet. We have also created a fully integrated prescription fulfillment program through which physicians can directly submit prescriptions using a hand-held device, tablet PC, or smart cell phone that is enabled through a Wi-Fi link to the Internet.

Since 2005, we have established five fulfillment centers to service primarily diabetic patients in the states of New Jersey, New York, Arizona and Maryland.

Through the acquisition of CareGen, we acquired a retail mail order business concept for the distribution of pharmaceutical and healthcare supplies and are currently developing our distribution platform.

On October 25, 2011 the Board of Directors approved the payment of a ten percent (10%) stock dividend to all shareholders of record, said dividend payable to shareholders of record no later than December 31, 2011.

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.

As part 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, 2011 and 2010, 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, 2011 and 2010.

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, 2011 and 2010, 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. As of December 31, 2011, the Company believed all its receivables to be collectible and had zero in the allowance.

Accounts receivable balances were $3,256,504 (net of allowance for doubtful accounts of $1,241,043) and $3,155,184 (net of allowance for doubtful accounts of $0) for the years ended December 31, 2011 and 2010, respectively.

Inventory

Inventories are stated at the lower of cost or market. Cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. Market is determined based on net realizable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value. As of December 31, 2011 and 2010, inventory was $0 and $0, 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, 2011 and 2010, 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, 2011 and 2010, 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, 2011 and 2010, we have accrued contingent legal fees and product liability fees totaling $205,500.

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, 2011 and 2010. 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, 2011 and 2010.

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 Shareholders 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 60,714 common shares; all preferred stock converted into common stock for an additional 3,964,286 common shares; and all convertible debt converted into common stock for an additional 345,238 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 2011, four of our customers accounted for approximately 88% of our net sales compared to 99% of total sales being attributable to six major customers in 2010. Since January 1, 2006 our operations require maintaining strategic relationships with our customers whereby we deliver product and services directly to the patient base that underlies these 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, 2011 and 2010, 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, 2011

In January 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2011-01 (ASU 2011-01) Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20. ASU 2011-01 temporarily delays the effective date of the disclosures about troubled debt restructurings. The effective date of the new disclosures about troubled debt restructurings for public entities and the guidance for determining what constitutes a troubled debt restructuring will then be coordinated. Currently, the guidance is effective for interim and annual periods ending after June 15, 2011. We do not expect the provisions of ASU 2011-01 to have a material effect on our financial position, results of operations or cash flows.

Other pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are not applicable or are not expected to be significant to our financial statements.

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, 2011:

| | Fair Value Measurements | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| Liabilities | | | | |
| Notes payable | $ - | $ 182,678 | $ - | $ 182,678 |
| Line of credit | - | 1,992,168 | - | 1,992,168 |
| Total | $ - | $ 2,174,846 | $ - | $ 2,174,846 |

**Note 4 Line of credit (formerly deemed a related party)**

In December of 2010, we executed our renewal agreement with Alpha Credit for an additional one-year term which matures on December 31, 2011. Pursuant to the renewal terms, our line of credit was increased from $2,000,000 to a maximum of $2,500,000. Further, pursuant to the terms of the agreement, we agreed to issue 200,000 shares of our preferred Series E stock as a renewal fee valued at $400,000. The loan renewal fee is amortized using the straight-line method over the one-year renewal period. As of December 31, 2011 and 2010, we have recorded $366,667 and $33,333, respectively in financing expense related to this fee. The line of credit requires interest to be paid in shares equal to 5% of each advance, and an additional 2% to be paid in cash and accrues monthly on the unpaid principal balance. In January of 2011, we were notified of a discrepancy in the principal loan balance through confirmation

requests. Pursuant to paragraph 6 of our amended and restated loan agreement dated December 31, 2010, any recourse that would have been afforded to us is negated by agreement to remise, release and forever discharge lender from any and all claims, losses, liabilities demands and causes of action of any kind whatsoever, whether absolute or contingent, known or unknown, matured or un-matured . The discrepancy in balance was the result of an interpretation of the interest calculation and amount to $573,004. At December 31, 2010, we recorded a settlement expense in this amount. During the current, our line of credit activity included advances of $5,473,721 and repayments of $5,447,020. We did not utilize our line of credit during the fourth quarter of 2011. At December 31, 2010, Alpha Credit was deemed to be a related party. However, during the year ended December 31, 2011, the Company no longer deemed the related party status applicable.

The following summarizes our line of credit activity for the years ended December 31:

| | | **2011** | | **2010** |
|---|---|---|---|---|
| Balance, January 1 | $ | 1,598,801 | $ | 1,593,566 |
| Add: advances | | 5,447,020 | | 15,465,797 |
| Less: repayments | | (5,473,721) | | (15,837,699) |
| | | 1,992,168 | | 1,965,468 |
| Less: Amortizable loan fee | | - | | (366,667) |
| Balance, December 31 | $ | 1,992,168 | $ | 1,598,801 |

As of December 31, 2011 and 2010 we recorded interest and financing expenses in connection with our line of credit in the amount of $945,825 and $587,680, respectively

**Note 5 Notes payable**

Notes payable consisted of the following as of December 31:

| | 2011 | 2010 |
|---|---|---|
| (a)Convertible promissory note, bearing interest at a 1.25% per month, matured on October 31, 2007, currently in default. | $ 145,000 | $ 145,000 |
| (b)Promissory note, bearing interest at 9% per annum, maturing June 20, 2012. | 37,678 | 78,745 |
| Total notes payable | 182,678 | 223,745 |
| Less current portion | 182,678 | 223,745 |
| Total long-term notes payable | $ - | $ - |

**a)**

In 2005, our former CEO determined that it was in the best interests of the company to borrow funds by offering a series of convertible promissory notes to private investors. The principal sum of these notes was $170,000. Pursuant to these notes, we agreed to pay these note holders the principal balance plus accrued interest at an annual rate of 15% maturing in one year from the date of issuance. Our former CEO employed the services of a sales agent and paid this agent certain fees in 2005 and 2006. On March 30, 2010 after a dispute arose, we entered into a debt settlement agreement with the one investor for the payment of his principal balance of $25,000 and accrued interest of $15,938 for a total amount owed of $40,938. Pursuant to the settlement agreement, we issued 21,429 (post-split) 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. As of December 31, 2011, the principal balance owed to the remaining investors was $145,000 with accrued interest of $277,938.

**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. Pursuant to the terms of the note, we are required to make monthly principal and interest payments of $3,300. On March 1, 2011, Invacare issued a new note superseding the June 2007 note, whereby extending the maturity and re-stating the principal amount due to eliminate debt forgiveness of $41,849 comprise of accrued interest of $6,514 and principal of $35,335. As of December 31, 2011 the unpaid principal balance together with accrued interest was $40,708.

We have recorded interest expense in connection with these notes of $24,704 and $30,026 for the years ended December 31, 2011 and 2010, respectively.

**Note 6 Income taxes**

At December 31, 2010, the Company had approximately $20,100,000 of federal and state net operating losses. For the years ended December 31, 2011 and 2010, the Company reported net losses of $2,117,006 and $471,836, 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:

| | As of December 31, | |
|---|---|---|
| | **2011** | **2010** |
| Deferred tax assets: | | |
| Net (loss) | $ (2,117,006) | $ (471,837) |
| Stock, options, and warrants issued | 327,429 | 298,084 |
| Taxable (loss) | (1,798,577) | (173,753) |
| Net operating loss carry forwards | 18,190,816 | 18,017,063 |
| Total deferred tax asset | 19,989,393 | 18,190,816 |
| | | |
| Income tax rate | 35% | 35% |
| | 6,996,288 | 6,366,786 |
| Less: valuation allowance | (6,996,288) | (6,366,786) |
| 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 full valuation allowance against its net deferred tax assets at December 31, 2011.

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:

| | Years Ended December 31, | |
|---|---|---|
| | **2011** | **2010** |
| Federal and state statutory rate | 35% | 35% |
| Change in valuation allowance on deferred tax assets | (35%) | (35%) |
| | -0- | -0- |

**Note 7 Shareholder s equity**

We are authorized to issue up to 1,750,000,000 shares of $0.001 par value common stock and 6,262,500 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) withdrawal of Series C designation on 1,000,000 shares of preferred stock, 3) Designation of Series B on 2,500 shares of preferred stock and Series C on 10,000 shares of preferred stock, and 4) 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 2011 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 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.

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 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.

*2010 Issuances*

Preferred

During the year ended December 31, 2010, we issued 254,100 shares of our preferred Series E from the 2009 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 $107,993 in connection with these issuances. Throughout the year, Alpha Credit has elected to convert 222,216 shares of their preferred series E into 561,786 (post-split) shares of common stock.

In December 2010, we entered into our second Amended and Restated Promissory Note with Alpha Credit Resources LLC ( Alpha Credit ). Pursuant to the amended agreement, we issued 200,000 shares of our Series E preferred stock as a renewal fee. The fair value of the issuance totaled $400,000 and was amortized over the renewal period of one-year. As of December 31, 2010, we recorded $33,333 in financing fees and have a remaining unamortized balance of $366,667.

In October 2010, we entered into an Escrow Agreement pursuant to the aforementioned Amended and Restated Promissory Note whereby agreeing to issue an additional 200,000 shares of our preferred Series E stock to be held in escrow for the benefit of Alpha Credit as collateral against the aforementioned line of credit. As of December 31, 2010, we recorded $200, the par value of the shares held in escrow, as additional paid-in capital.

Common

As of December 31, 2010, we issued 724,253 (post-split) shares of our common stock for the conversion of various promissory notes and accrued interest (See Note 4). The fair value of the shares issued totaled $622,455.

During the year ended December 31, 2010, we issued a total of 43,929 (post-split) shares of our common stock to various consultants for services rendered to us. The fair value of the services received was $55,990 and was recorded as consulting fees.

As of December 31, 2010, we issued 523,810 (post-split) shares of our common stock pursuant for the exercise of options. Total proceeds from the exercise were $312,000. At December 31, 2010, $80,000 remained outstanding and was recorded as a miscellaneous receivable.

During the year ended December 31, 2010, we authorized the issuance of 3,261 (post-split) 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 $14,324 and was recorded as financing costs.

*2011 Issuances*

Preferred

During the year ended December 31, 2011, we 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, we 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, we 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 (post-split) 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, we 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, we issued a total of 174,000 (post-split) 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, we issued 61,429 (post-split) 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 (post-split) 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, we issued 677,500 (post-split) 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, we issued 214,286 (post-split) 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, we adopted the 2004 Stock Option Plan, as amended, with a maximum number of 450,893 (post-split) shares that may be issued. As of December 31, 2011, 398,104 (post-split) 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, we adopted our 2005 Merger Consolidated Stock Option Plan. The maximum number of shares that may be issued pursuant to the plan is 80,357 (post-split) shares. As of December 31, 2011, 77,307 (post-split) shares have been granted under this plan and 3,050 remain available for issuance.

During the year ended December 31, 2010, we issued options to purchase up to 14,286 (post-split) shares of par value common stock at a weighted average exercise price of $0.80 per share for various consulting services received. We recorded an expense in the amount of $21,293 the fair value of the options using the Black-Scholes pricing model.

*2006 Stock Option Plan*

On December 8, 2006 we adopted our 2006 Employee Stock Option Plan, as amended and granted incentive and nonqualified stock options with rights to purchase 1,821,429 (post-split) shares of our $0.001 par value common stock. As of December 31, 2011, 1,023,725 (post-split) options were granted and exercised or expired under this plan and 797,704 remain available for issuance.

During the year ended December 31, 2010, we issued options to purchase up to 150,000 (post-split) shares of par value common stock at a weighted average exercise price of $0.59 per share for various consulting services received. We recorded an expense in the amount of $98,481 the fair value of the options using the Black-Scholes pricing model. As of December 31, 2010, the options were exercised in exchange for cash in the amount of $80,000 which has been recorded as a subscription receivable.

During the year ended December 31, 2011, we issued options to purchase up to 159,439 (post-split) shares of par value common stock at a weighted average exercise price of $0.30 (post-split) per share for various consulting services received. We recorded an expense in the amount of $85,255 the fair value of the options using the Black-Scholes pricing model.

During the year ended December 31, 2011, 61,429 (post-split) options were exercised for cash totaling $30,100.

The following is a summary of activity of outstanding stock options under all Stock Option Plans:

| | **Number of Shares** | | **Weighted Average Exercise Price** |
|---|---|---|---|
| | **(post-split)** | | |
| Balance, January 1, 2010 | 321,429 | $ | 0.77 |
| Options granted | 176,072 | | 0.66 |
| Options cancelled | - | | - |
| Options exercised | (483,215) | | 0.73 |
| Balance, December 31, 2010 | 14,286 | $ | 0.80 |
| | | | |
| 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 |

**Note 9 Warrants**

On December 5, 2010, we issued a warrant to purchase 17,857 (post-split) shares of our common stock with an exercise price of $0.658 pursuant to a service agreement. The fair market value of the warrants based on the Black-Scholes model is $10,047 using the following assumptions: Strike Price $0.047; Stock Price $0.035; Volatility 275%; Term 1 year; Dividend Yield 0%; Interest Rate 0.28%. As of December 31, 2010, we have recorded consulting expense in the amount of $10,047.

The following is a summary of activity of outstanding warrants:

| | Number of Shares (post-split) | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, January 1, 2010 | 652,381 | $ | 0.56 |
| Warrants granted | 17,857 | | 0.49 |
| Warrants cancelled | (564,286) | | 1.09 |
| Warrants exercised | (59,524) | | 0.42 |
| Balance, December 31, 2010 | 46,428 | $ | 0.86 |
| | | | |
| 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 |

**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.

On June 7, 2005, we entered into an agreement for the right to use offices, warehouses and shipping facilities for the storage and shipping of pharmaceuticals located at 515 Inman Avenue, Colonia, NJ 07067 and 25 Minna Street, Rahway, New Jersey

Rent expense amounted to $99,098 and $81,710 for the years ended December 31, 2011 and 2010, respectively.

Contingencies

Given the nature and liability of our industry, we periodically review our litigation contingencies that may result from damaged product, product liability and the related legal fees. As of December 31, 2011 and 2010, we accrued $205,500 for these contingencies.

**Note 11 Restatement of financial statements**

In connection with the review of our financial statements for the three-month period ended March 31, 2011, it was determined by our independent registered accounting firm, that the application of accounting principles with respect to the recording of stock issued in lieu of cash for annual loan renewal fees, was not applicable to our transaction with Alpha Credit Resources. We have restated our balance sheet for the year ended December 31, 2010 to reflect the reclassification of the fair value of the renewal fee, net of amortization as a discount against the line of credit liability verses the previously presentation as an amortizable asset. The effects of the change in application of accounting principal is limited solely to the balance sheet whereby decreasing total assets and liabilities by $366,667.

The following table presents the effect of the restated adjustment by financial statement line item for the Consolidated Balance Sheet for the year ended December 31, 2010:

| | For the Year Ended December 31, 2010 | | |
|---|---|---|---|
| | As re-stated | Adjust-ments | As previously Stated |
| **Assets** | | | |
| **Current assets:** | | | |
| Cash | $ 220,390 | $ | $ 220,390 |
| Accounts receivable | 3,155,184 | | 3,155,184 |
| Prepaid expenses | 1,314,644 | | 1,314,644 |
| Total current assets | 4,690,218 | | 4,690,218 |
| **Fixed assets:** | | | |
| Furniture and fixtures | 2,530 | | 2,530 |
| Computer equipment | 232,365 | | 232,365 |
| Less accumulated depreciation | 234,895 | | 234,895 |
| Fixed assets, net | - | | - |
| **Other assets** | | | |
| Intellectual property | 9,950 | | 9,950 |
| Amortizable loan fees | - | (366,667) | 366,667 |
| Total other assets | 9,950 | | 376,617 |
| Total assets | $ 4,700,168 | $ | $ 5,066,835 |
| | | | |
| **Liabilities and Shareholders Equity** | | | |
| **Current liabilities:** | | | |
| Accounts payable | $ 87,235 | $ | $ 87,235 |
| Accrued liabilities | 100,808 | | 100,808 |
| Accrued interest | 116,521 | | 116,521 |
| Notes payable and short term borrowings | 1,822,546 | 366,667 | 2,189,213 |
| Total current liabilities | 2,127,110 | | 2,493,777 |
| | | | |
| **Contingencies** | 205,000 | | 205,500 |
| | | | |
| **Shareholders Equity** | | | |
| Preferred series B stock, $0.001 par value, 2,500 shares authorized no shares issued and outstanding as of December 31, 2010 and 2009, respectively | - | | - |
| Preferred series C stock, $0.001 par value, 20,000 shares authorized, no shares issued and outstanding as of December 31, 2010 and 2009, respectively | - | | - |
| Preferred series E stock, $0.001 par value, 1,250,000 shares authorized, 1,110,000 and | | | |

| | | |
|---|---|---|
| 932, 616 shares issued and outstanding as of December 31, 2010, and 2009, respectively | 1,110 | 1,110 |
| Common stock, $0.001 par value, 1,750,000,000 shares authorized, 7,332,199 and 5,475,160 shares issued and outstanding as of December 31, 2010 and 2009, respectively | 102,651 | 102,651 |
| Subscription receivable | (80,000) | (80,000) |
| Additional paid in capital | 20,360,860 | 20,360,860 |
| Accumulated (deficit) | (18,017,063) | (18,017,063) |
| Total Shareholders equity | 2,367,558 | 2,367,558 |
| Total liabilities and Shareholders equity | $ 4,700,168 | $ 5,066,835 |

**Note 12 Subsequent events**

On January 11, 2012, we issued 294,000 (post-split) shares of common stock to Alpha Credit Resources upon their election to convert 21,400 shares of preferred series E stock into shares of our common stock.

On January 18, 2012, we issued 53,354 (post-split) shares of common stock pursuant to a note holders election to convert his note payable.

On March 5, 2012, we issued 500,000 (post-split) shares of common stock to various consultants for advisory services.

On March 30, 2012, we issued 238 (post-split) shares of common stock and 124,700 preferred series E stock to Alpha Credit Resources in connection with our line of credit renewal.

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.

**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, 2010did 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.

**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, 2011.

Based on that evaluation our Chief Financial Officer has concluded that our disclosure controls and procedures were effective as of December 31, 2011.

*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, 2011.

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:

| Name | Age | Position |
|---|---|---|
| Keith Berman | 59 | Chief Financial Officer and Director |
| William Lyons | 59 | Director |
| Robert Jagunich | 64 | 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 or Medicius, 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. Lyon 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, 2011, 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, 2011 and 2010 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 Compensation | Nonqualified Deferred Compensation Earnings ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|---|

| | | ($) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Keith Berman, CFO and PEO [1] [2][3] | 2011 | $ -0- | -0- | $ -0- | -0- | -0- | -0- | -0- | $ -0- | | |
| | 2010 | $ -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, 2011 and 2010, 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 2011

We did not grant any plan-based awards to our named executive officer during the fiscal year ended December 31, 2011.

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

| Name | Number of Securities Underlying Unexercised Options (#) Exercisable (b) | Number of Securities Underlying Unexercised Options (#) Un-exercisable (c) | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d) | Option Exercise Price ($) (e) | Option Expiration Date (f) | Number of Shares or Units of Stock That Have Not Vested (#) (g) | Market Value of Shares or Units of Stock That Have Not Vested ($) (h) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (j) |
|---|---|---|---|---|---|---|---|---|---|
| **Keith Berman,** Secretary/Treasurer | -0- | -0- | -0- | $ -0- | -0- | -0- | -0- | -0- | -0- |

Option Exercises for 2011

There were no options exercised by our named executive officer in fiscal 2011.

*Director Compensation*

The following table sets forth compensation paid to our board member during the year ended December 31, 2011.

| Name | Fees Earned or Paid in Cash ($) | Stock Awards ($) | Option Awards ($) | Non-Equity Incentive Plan Compensation Earnings ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|
| Keith Berman | - | - | - | - | - | - |
| Robert Jagunich | - | - | - | - | - | - |
| William Lyons | - | - | - | - | - | - |

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, we adopted the 2004 Stock Option Plan, as amended, with a maximum number of 450,893 shares that may be issued. As of December 31, 2011, 398,104 options have been granted, and exercised or expired under this plan.

**2005 Merger Consolidated Stock Option Plan**

On February 5, 2005, we 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, 2010, 77,307 options have been granted and exercised or expired under this plan.

**2006 Stock Option Plan**

On December 8, 2006, we adopted our 2006 Employee Stock Option Plan as amended and granted incentive and nonqualified stock options with rights to purchase 1,821,429 shares of our $0.001 par value common stock. As of December 31, 2011, 1,023,725 options have been granted and exercised or expired under this plan.

**ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.**

The following table presents information, to the best of our knowledge, about the ownership of our common stock on December 31, 2011 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 9,307,976 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, 2011 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[1]** | **Number of Shares** | **Percent of Outstanding Shares of Common Stock[2]** |
|---|---|---|
| Keith Berman, Chief Financial Officer and Director[3] | 480,103 | 5.1% |
| Robert Jagunich, Director[3][4] | 929,301 | 9.9% |
| William Lyons | - | - |
| Directors and Officers as a Group | 1,409,404 | 15% |
| Barbara Asbell<br>7061 Los Coyotes<br>Camarillo, CA 93012 | 1,162,590 | 29.7% |
| Directors, Officers and Beneficial Owners as a Group | 2,571,994 | 44.8% |

(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 2011 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 ($46,538); 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.

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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) Weaver Martin & Samyn LLC was retained as our new auditing firm by the Board of Directors in August 2011, for the fiscal year ended December 31, 2011 replacing Seale & Beers, LLC. For the years ended December 31, 2011 and 2010 we were billed the following by each Firm for their respective years:

| | For the Fiscal Years Ended December 31, | |
|---|---|---|
| | 2011 | 2009 |
| Audit Fees (a) | $ 35,500 | $ 35,500 |
| Audit-Related Fees (b) | -0- | -0- |
| Tax Fees (c) | -0- | -0- |
| All Other Fees (d) | -0- | -0- |
| Total fees paid or accrued to our principal accountants | $ 35,500 | $ 35,500 |

(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, 2011, and 2010, 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, 2011 and 2010, 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



(b) 2. Financial Statement Schedules

None.

(c) 3. Exhibit Index

| Exhibit | | Filed | Incorporated by reference | | | |
|---|---|---|---|---|---|---|
| | | | | Period | Exhibit | Filing |
| number | Exhibit description | herewith | Form | ending | No. | date |
| 3(i)(a) | Articles of Incorporation Filed March 2, 2001 | | 10-SB | | 3a | 9/27/01 |
| 3(i)(b) | Articles of Amendments to Articles of Incorporation Filed May 9, 2001 | | 10-SB | | 3b | 9/27/01 |
| 3(i)(c) | Articles of Amendments to Articles of Incorporation Filed August 2, 2002 | | 10-QSB | 6/30/02 | 3.1c | 8/22/02 |
| 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 | | | SB-2/A | | 10.8 | 2/11/05 |

| | | | | | |
|---|---|---|---|---|---|
| | Warrant Agreement ($0.03) - Mercator Momentum Fund, LP February 7, 2005 | | | | |
| 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 |
| 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 | 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 | | | |

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**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: May 17, 2011

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.

| Name | Title | Date |
|---|---|---|
| */s/ Keith Berman* Keith Berman | Chief Financial Officer, Director, Secretary (Principal Executive Officer and Principal Accounting Officer) | April 13, 2012 |
| */s/ Robert Jagunich* Robert Jagunich | Director | April 13, 2012 |
| */s/ William Lyons* William Lyons | Director | April 13, 2012 |