

MEDICAL ALARM CONCEPTS HOLDINGS INC
Form 10-K
July 17, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended June 30, 2013

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

For the Transition Period from _____ to _____

Commission file number: 333-153290

MEDICAL ALARM CONCEPTS HOLDING, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction
of
incorporation or
organization)

26-3534190
(I.R.S. Employer
Identification No.)
No.)

200 W. Church Road
Suite B
King of Prussia , PA
19406
(Address of principal
executive
offices)
(877) 639-2929
(Registrant's telephone
number,
including area code)

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

Securities registered
pursuant to
Section 12(g) of the Act:

(Title of Each Class)
Common Stock, \$0.0001
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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See 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

Smaller reporting company

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

The aggregate market value of voting and non-voting common stock held by non-affiliates of the registrant, based upon the closing bid quotation for the registrant's common stock, as reported on the OTC Bulletin Board quotation service, as of December 31, 2012, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$1,658,039.

The number of shares of registrant's common stock outstanding as of June 30, 2013 was 1,696,813.

As of July 14, 2014, the registrant had 5,519,177 shares of common stock issued and outstanding, respectively.

Annual Report on Form 10-K
 For the Fiscal Year Ended June 30, 2013
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Part I

Special Note Regarding Forward-Looking Statements

On one or more occasions, we may make forward-looking statements in this Annual Report on Form 10-K regarding our assumptions, projections, expectations, targets, intentions or beliefs about future events. Words or phrases such as “anticipates,” “may,” “will,” “should,” “believes,” “estimates,” “expects,” “intends,” “plans,” “predicts,” “projects,” “targets,” “will continue” or similar expressions identify forward-looking statements. These forward-looking statements are only our predictions and involve numerous assumptions, risks and uncertainties, including, but not limited to those listed below and those business risks and factors described elsewhere in this report and our other Securities and Exchange Commission filings.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made on related subjects in our subsequent annual and periodic reports filed with the Securities and Exchange Commission on Forms 10-K, 10-Q and 8-K and Proxy Statements on Schedule 14A.

References herein to “we,” “us,” “our” or “the Company” refer to Medical Alarm Concepts Holding, Inc. and its subsidiaries.

ITEM 1. Business

General

Medical Alarm Concepts Holding, Inc. (the “Company” or “Medical Alarm”) was formed in June 2008 and, on June 24, 2008 we acquired 100% of the membership interests in Medical Alarm Concepts, LLC, a Delaware limited liability corporation.

The Company's product is called the MediPendant®, which is a medical alarm, often referred to in the industry as a Personal Emergency Response System (PERS). Such systems are most often purchased by middle-age adults for their aging parents. While it is primarily a device for older people, there is also a market for those who are physically disabled, as well as anyone living or staying alone in their home. The MediPendant® device has significant feature and function advantages over other personal medical alarms in the marketplace today. Approximately 80% of all medical alarms currently being sold in the United States are first-generation technologies that require the user to speak and listen through a central base station unit. If the user of one of these older generation products is not within speaking or listening distance to the base station, the operator in the centralized emergency monitoring center might not hear the user and/or the emergency signal may not be received by the monitoring center at all.

The MediPendant® enables the wearer to simply speak and listen directly through the pendant in the event of an emergency. The MediPendant® is designed to be worn in the bath or shower and offers a 600-foot range so that the wearer can operate the unit from virtually anywhere within their home or on their property. The product is extremely durable, very reliable and offers an extremely long battery life.

The company's business model focuses on both sales of the MediPendant® and on the production of revenue via monthly charges paid by the customer for monitoring services (MRR).

In February 2014 the company received an International re-order for additional MediPendant units in the Danish/English Language, further emphasizing our commitment to sales overseas

In February 2014 the company received an International NEW order for MediPendants to be programmed in the Cantonese and Mandarin language. This order was placed by our investor JTT Energy and the program rollout, beginning in Vancouver BC and expected to expand throughout Canada and the US in major Chinese populations, is

expected in June 2014.

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Market Background

Living arrangements have changed greatly in the United States among older people and other potentially vulnerable segments of the population, including those with physical disabilities and/or medical conditions. During the 20th century, one of the most dramatic changes in the lives of the aging in the United States, was the rise of the number of aging people living at home alone. In 1910, for example, only 12% of widows age 65 or older lived alone. In 1970, this figure was 70% and today it is estimated to be impressively higher.

In the 21st century, this trend has gained momentum and become stronger than ever, with more of the aging and medically at risk population living alone at present than at any other time in the past, especially with the rise of the aging Baby Boomer population. The Baby Boomers, those born between 1946 and 1964, started turning 65 years old in 2011, with the number of older people set to increase dramatically during the 2010 to 2030 time period. According to a 2009 analysis of U.S. Current Population Survey data, “between 2010 and 2030, the number of people age 65 and older is projected to grow by 31.7 million or 79.2%.” Thus, the older population in 2030 is projected to be twice as large as in 2000, growing from 35 million to 71.5 million, representing nearly 20% of the total U.S. population around the year 2030.

This social dynamic of a rising older population is true in both the United States as well as in many developed nations worldwide. Likewise, social change, technological advancements, and general lifestyle choices have promoted increased independence and the ability to live alone among other potentially vulnerable segments of the population such as those with physical disabilities or medical conditions. These groups can be especially susceptible to health problems and concerns for their physical wellbeing. Experts and even common sense agree that in order to help facilitate independence and safety, more help is needed to provide these people with a point of contact in case of emergency, or the benefit of support in a time of need. It was in response to this situation that the personal emergency response systems (PERS) industry emerged in the United States and developed the first personal medical alarm. The most obvious and common use for personal medical alarms is as a safeguard for the aged and persons with certain medical conditions, in case of an age or health related incident that requires immediate attention, but in which the victim is unable to reach out for assistance via traditional means, including the ability to make a telephone call.

Effective personal emergency response systems with their emergency alert capabilities, are a key technology solution that can greatly help the vulnerable segment of the population live a more free and active life while maintaining the security of being able to access immediate assistance as needed. In fact, there has been a boom in the PERS market in recent years because of the growing aging population worldwide. According to Forrester Research, Inc., the PERS market in the United States has grown at double digit rates, from approximately \$350 million in 2004 to \$2 billion in 2012 and increasing every year thereafter

Today, however, while the PERS industry has been around for a long time, much of the technology within the industry has unfortunately remained stagnant. Many of the original PERS solutions are still designed today to provide alerts whereby a push of a button simply triggers a call center operator to respond by calling the device user at home, with two-way voice communication done through a centralized speaker box and not the actual device itself. Thus, traditional PERS solutions currently on the market offer communication between user and a call center only through a speaker box. This greatly inhibits the user’s freedom and limits their mobility to an area near the speaker box.

Mobile Medical Alerts have recently been introduced to the market. Designed for the younger and more active person with medical issues, there are inherent problems with them: They need to be charged on a daily basis, they cannot get wet, the location based system they use to find the user is not very precise, and there are dead zones or no service issues as well

Medical Alarm Concepts™ has built upon traditional PERS technology to develop a revolutionary patented solution for direct two-way voice communication through its MediPendant® alarm device. In particular, the Company's wearable alarm pendant enables users to manage the spontaneity of an emergency by responding through a two-way voice speakerphone pendant that connects to a monitored call center for direct communication, leaving users free to move in and around their home within an extended mobility range that exceeds that of other personal alarm offerings. Additionally, MediPendant®'s advanced technology allows for three-way calling between the operator, the user and the dispatched first responders and/or a friend and family member. No other available PERS system on the marketplace today offers the benefit of three-way voice conferencing directly through the pendant.

These attributes of the MediPendant® mark an important distinction relative to the competition and make the Company's solution unique in the industry and highly desirable to end users who want to be able to move more broadly about their living quarters with increased freedom and comfort.

Market Opportunity

The healthcare industry is the largest industry in the world, with the home healthcare market in developed countries in particular growing rapidly, driven in part by aging baby boomers and a growing shift toward moving some types of healthcare away from the hospital and into the home.

These trends help make the home healthcare sector an increasingly attractive market for successful companies that offer effective solutions in the PERS industry space.

The most obvious and common use for personal medical alarms is as a safeguard for the aged and persons with certain medical conditions, in case of an age or health related incident that requires immediate attention, but in which the victim is unable to reach out for assistance via traditional means, including the placement of a telephone call. While very few things can prevent falls by aged persons or other unforeseen medical emergencies, medical alarms mitigate the potential harm done by initiating a timely response to such an incident.

In fact, there has been a boom in the PERS market in recent years because of the growing aging population worldwide and in the United States in particular. According to the U.S. Census Bureau, the number of people over 65 in the United States is set to jump from approximately 34 million today to approximately 74 million in 2025. By 2050, this number is projected to reach 86.7 million, with many of them living at home or in an alternative home-type environment. Worldwide, this figure number is expected to double from some 550 million people currently at age 65 years old to over 1.2 billion seniors by the time period around the year 2025.

Not surprisingly, experts in the health care industry expect many of these seniors will want to continue living independently at home for as long as possible. Likewise, more than any aging generation of the past, this population is expected to be more technology-savvy as consumers of healthcare are very interested in playing an active role in personally managing their health and well-being. Importantly, they will likely look to technologies that help them gain access to medical care while being able to remain independent and outside a hospital environment.

Effective personal emergency response systems (PERS), with their emergency alert capabilities, are a key technology solution that can greatly help the vulnerable segment of the population live a more free and active life while maintaining the security of being able to access immediate assistance as needed. According to Forrester Research, Inc., the PERS market in the United States has grown at double digit rates, from approximately \$350 million in 2004 to \$2 billion in 2012 and increasing every year thereafter

According to statistics from some of the industry's largest providers of traditional PERS solutions, customers of these emergency alert systems are typically individuals over the age of 75 years old whom are predominantly female and live alone, with the actual buyers of PERS systems often being the end user's children who purchase the medical alarms for their parents.

Regarding purchases of PERS solutions worldwide, the large majority of customers currently pay for their PERS products out-of-pocket, with government reimbursement for PERS items varying from country to country. In the United States, for example, 25% of PERS sales were government reimbursed in 2004, compared to 35% in Germany, just over 50% in France and nearly 100% in the United Kingdom. Furthermore, it is estimated government reimbursement for PERS will ramp up in a number of countries, further fuelling demand for these products.

Interestingly, as an approximation of the potential PERS market size in the United States, Lifeline Systems, Inc., the founder of the PERS industry in the U.S. approximately 25 years ago, served 250,000 users in the United States and Canada around the time frame of 1992. Today, Philips Medical Systems' acquisition of Lifeline Medical Alarm has positioned it as the largest provider of traditional PERS systems with over 700,000 monitored accounts, implying that the total market size of users is likely much larger.

Sales and Marketing

The company's marketing efforts are focused in four main areas, 1) Internet sales & marketing, 2) retail distribution, 3) wholesale distribution and 4) international markets.

Internet Sales & Marketing - the Company markets the MediPendant® through its website at www.MediPendant.com. Due to the complex sales process for medical alarms, which often require several phone calls among the end user customer's family members before a decision is reached, the MediPendant® website is used mainly for informational purposes with the actual sale typically taking place over the phone with one of our customer service representatives. The company uses a variety of techniques, such as Internet paid ad campaigns and social media, in order to drive web traffic to the website, and initiate potential customer sales calls.

Retail Distribution - During 2012, the company announced its plans to promote the MediPendant® product utilizing an e-commerce marketing strategy program designed specifically for Costco Wholesale Corporation and its members. Costco began offering the MediPendant® to its customers via its website during the spring of 2012. Since that time, sales have met the company's expectations and several special marketing programs, including email, postal mail and in-store print distribution campaigns have been instituted in conjunction with this retailing partner.

Wholesale Distribution - The Company currently has several relationships with wholesalers who resell the MediPendant® product in conjunction with their own monitoring services. The company believes its relationships with its strategic partners is good. The company is currently in discussions with several other wholesale groups looking to distribute the MediPendant® through their own independent channels.

International Markets – The Company also distributes its products in a wholesale manner to selected international markets. To date, the company has signed marketing relationships with partners in Denmark and Ireland, and is in the process of researching various avenues to distribute product in the People's Republic of China.

Competition

The market for Personal Emergency Response Systems (PERS) is highly fragmented. Because the vast majority of the market participants are private corporations, only limited information about competitors is available.

The vast majority of competitors market first generation PERS systems that rely on a centralized base station for communication between the user and the monitoring center. The second largest of these market participants is believed to be Life Alert, which was founded in 1987. The largest participant is thought to be Philips Medical Systems, which several years ago purchased Lifeline Medical Alarms. Additionally, there are dozens of smaller organizations marketing PERS devices and monitoring services.

Mobile Medical Alerts have recently been introduced to the market. They are designed for the younger and more active person with medical issues. However, they need to be charged on a daily basis, they cannot get wet, the location based system they use to find the user is not very precise, and there are dead zones or no service issues as well

There is also a growing trend in the industry toward the sale of non-monitored PERS devices. Such products, upon activation by the user, connect the user NOT to a centralized private monitoring function, but to either an E-911 operator or to a family member or other person. These non-monitored PERS devices are typically for the consumer to purchase as a one-time purchase and do not require the payment of monthly monitoring fees.

ITEM 1A. Risk Factors

Not applicable.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

Our business office is located at 200 West Church Road Suite B, King of Prussia, PA 19406. This office is leased. We believe the facilities we are now using are adequate and suitable for business requirements.

ITEM 3. Legal Proceedings

There are no legal claims currently pending or threatened against us that in the opinion of our management would be likely to have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 4. Mine Safety Disclosures

Not applicable.

Part II

ITEM Market for Registrants' Common Equity, Related Stockholder Matters and
5. Issuer Purchasers of Equity Securities

Market Information

Our common stock has been quoted on the OTC Bulletin Board system under the symbol "MDHI" since January 2, 2009.

The market price of our common stock will be subject to significant fluctuations in response to variations in our quarterly operating results, general trends in the market, and other factors, over which we have little or no control. In addition, broad market fluctuations, as well as general economic, business and political conditions, may adversely affect the market for our common stock, regardless of our actual or projected performance. See Item 1A – "Risk Factors."

The following table sets forth the range of the high and low sales prices per share of our common stock for the fiscal quarters indicated.

| Fiscal Year 2013 | High | Low |
|------------------|---------|--------|
| First Quarter | \$2.8 | \$1.6 |
| Second Quarter | \$1.68 | \$1.12 |
| Third Quarter | \$1.76 | \$1.12 |
| Fourth Quarter | \$1.28 | \$0.64 |
| Fiscal Year 2012 | High | Low |
| First Quarter | \$13.92 | \$2.56 |
| Second Quarter | \$7.04 | \$1.68 |
| Third Quarter | \$4.72 | \$1.92 |
| Fourth Quarter | \$3.76 | \$1.68 |

* Price Not available for Period

Holders

As of July 10, 2014, there were approximately 1,613 shareholders of record of our common shares.

Dividend Policy

Our policy is to reinvest earnings in order to fund future growth. Therefore, we have not paid, and currently do not plan to declare, dividends on our common stock. Although we intend to retain our earnings, if any, to finance the exploration and growth of our business, our Board of Directors will have the discretion to declare and pay dividends in the future.

Payment of dividends in the future will depend upon our earnings, capital requirements, and other factors, which our Board of Directors may deem relevant.

Equity Compensation Plan Information

We do not have any equity compensation plans under which equity securities of the Company are authorized for issuance and we have not granted any stock options.

ITEM 6. Selected Financial Data

Not applicable.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the notes thereto in Part II, Item 8 to this Annual Report on Form 10-K. This discussion contains forward-looking statements reflecting our current expectations. Actual results and the timing of events may differ significantly from those projected in forward-looking statements due to a number of factors, including those set forth in Item 1A "Risk Factors" of this Annual Report on Form 10-K.

Given these uncertainties, readers of this filing and investors are cautioned not to place undue reliance on such forward-looking statements.

Overview and Recent Events

Medical Alarm Concepts Holding, Inc. was organized in mid 2008. The operation was financed with a considerable amount of toxic convertible debt. This type of financing, along with several other issues, prevented the Company from realizing a robust growth rate for its first few years of operation. Since that time considerable management time has been spent and investor money utilized to turn the Company's operation around. As of the date of this filing, Medical Alarm Concepts is currently experiencing a robust growth rate, quality relationships with quality customers, a significantly improved balance sheet, and most importantly, the Company has now reached operational positive cash flow status.

The Company's product is called the MediPendant®, which is a personal emergency alarm that is mainly purchased by adults for their aging parents. While it is primarily a device for older people, there is also a market for those who are physically disabled, as well as for persons living alone. The MediPendant® device has significant feature and function advantages over other personal medical alarms in the marketplace today. Approximately 80% of all medical alarms currently being sold in the United States are first-generation technologies that require the user to speak and listen through a central base station unit. If the user of one of these older generation products is not within speaking or listening distance to the base station, the user may not be heard by the operator in the centralized emergency monitoring center.

The MediPendant® enables the wearer to simply speak and listen directly through the pendant in the event of an emergency. The MediPendant® is designed to be worn in the bath or shower and offers a 600-foot range so that the wearer can operate the unit from virtually anywhere within their home or on their property. Both the engineering design and quality control of the device have been outstanding. The product is extremely durable, very reliable and offers an extremely long battery life. Product manufacturing defects are almost nonexistent.

The MediPendant® has strong intellectual property patent protection. The patent protects a unique feature of the product, which is voice prompts that alert the user of the operational status of the device and that help is being summoned upon alarm activation.

During December of 2011, the Company announced the MediPendant® would be distributed by Costco Wholesale Corporation. Costco is one of the largest retailers in not only the United States, but throughout the world with approximately 60,000,000 customers. The Company's relationship with this retailer has been very strong and sales are occurring on a daily basis, customer return rates are low and customer satisfaction is high. This relationship with Costco is very advantageous because of the retailer's distribution reach. Sales and shipments occur on a consistent basis. Early in the March 2013 quarter, the Company successfully completed a retail promotion with this large discount warehouse chain partner. An additional program began late in the March 2013 quarter and ran through April 21, 2013. During June of 2013, the MediPendant® product was featured in the retailer's pharmacy-oriented sales magazine, which is being distributed in the pharmacy section in all store locations. A retail promotion was just completed and ran from October 14, 2013 through November 3, 2013. The MediPendant® has now received 28 product reviews on the retailer's website, 22 of which are "5 out of 5 Star" ratings. The average rating is "4.5 Stars" out of 5 Stars.

The Company has also had successes internationally with new distribution agreements in Denmark and Ireland. Additionally, the Company is currently working on a distribution/joint venture with JTT-EMS LTD, which is a company located just outside of Beijing, China. Medical Alarm Concepts is expecting steady growth from its international markets extending into 2014, and believes there are likely several other international contracts that will be consummated during that time. The Company also distributes the MediPendant® through Internet marketing and through various outside call centers. Significant investment is planned to expand sales opportunities relative to these areas.

Medical Alarm Concepts has signed a supply and services contract with Coventry Health Care, Inc., which was recently acquired by Aetna Insurance (NYSE:ATA) a diversified and national company, which operates health plans, insurance companies, network rental and workers' compensation services companies. Under the terms of the agreement, the Company will become the provider of personal medical alarms for Coventry Health Care and its Medicare/Medicaid programs. As part of this new contract, Coventry Health Care, Inc. will offer the Company's MediPendant® product and monthly monitoring services directly to subscribers of selected healthcare programs provided by Coventry. Additionally, the Company's MediPendant® product has been included in several large Medicare and Medicaid related contracts on which Coventry Health Care, Inc. is bidding. The Company is expecting this contract to generate growth in revenue and earnings.

The Company received an investment led by strategic partner, JTT-EMS LTD of Shijiazhuang, China. Under the terms of the investment, JTT-EMS LTD purchased Common Stock in a private placement transaction and has indicated to the Company that it plans to hold these shares as a long-term investment. The financing, including additional investments by current shareholders total up to approximately \$330,000. There are no warrants or options associated with this investment. As more fully noted below, funds received will primarily be used to rebuild inventory levels to meet the growing demand and to pay professional fees associated with returning the Company to fully reporting status.

On December 15, 2013, the Company entered into a Global Settlement Agreement (the "Agreement") with the holder of its credit line and major shareholders. Under the terms of the agreement, all of the Company's credit line and accrued interests on credit line were forgiven and all of the convertible debt would be converted to common shares, except for the balance of \$25,908.07.

In exchange for the credit line cancellation and the conversion of convertible debt, both parties agreed on the following terms: 1) the management team agreed to modify its September 19, 2011 agreement with the Company giving up all anti-dilution rights, 2) the Company agreed to take steps to increase the number of authorized shares to accommodate the debt conversions and would complete a reverse split of its shares, 3) The Company would file a registration statement with the SEC, and 4) the Company would continue to file past due periodic reports with the SEC on Forms 10-Q and 10-K in order to return the Company to full reporting status, a process that is already well underway.

Results of Operations

Net Sales

Net sales generated during the years ended June 30, 2013 and 2012 was \$572,712 and \$532,863, respectively; representing a 7% or \$39,849 increase, resulting from a change in strategic business direction toward more widespread product distribution and away from reliance on only a few resellers and distributors. This Company believes this change in business direction will lead to stronger growth and margins and higher overall sales during future periods. During 2013 and 2012, net sales were generated from sales to distributors, resellers and from direct sales to consumers who pay the Company for monthly monitoring services.

