

MEDICAL ALARM CONCEPTS HOLDINGS INC
Form 10-K
November 10, 2010

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

FORM 10-K

(Mark One)

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

For the fiscal year ended June 30, 2010

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

For the period from _____ to _____

Commission File No. 333-153290

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

Nevada
(State or other jurisdiction of incorporation or organization)

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

5215-C Militia Hill Road
Plymouth Meeting, PA
(Address of principal executive offices)

19462
(Zip Code)

Registrant's telephone number, including area code: (877) 639-2929

Securities registered under Section 12(b) of the Exchange Act: None.

Securities registered under Section 12(g) of the Exchange Act:

Common stock, par value \$0.0001 per share

(Title of class)

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

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

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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 (Section 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 (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark 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 | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer (Do not check if a smaller reporting company) | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |

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

As of the last business day of the registrant's most recently completed second fiscal quarter, there was no public trading market for our common stock.

As of November 10, 2010, the registrant had 286,636,940 shares of common stock issued and outstanding, respectively.

Documents Incorporated by Reference:
None.

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PART I

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. Our plan is to provide 24-hour personal response monitoring services and related products to subscribers with medical or age-related conditions. Our product is a home communicator that connects directly to a telephone line via remote access. Our product is a medical pendent that, when activated, sends an automated digital telephone signal to a monitoring facility where a highly trained professional responds to the alert and provides the proper assistance.

Marketing

The obvious and most common use for medical alarms is as a safeguard for the elderly. While very few things can prevent falls by elderly persons, medical alarms mitigate the potential harm done if there is not a timely response to such an accident. Medical alarms are more convenient and safer than the telephone. The user wears a medical alarm on his or her wrist, around his or her neck, or on his or her belt so that it is always accessible and easy to reach.

Marketing efforts will include advertising in print media, on the radio, and on television. Interested parties will be invited to: (1) inquire about medical alarms through our website at www.medicalalarmconcepts.com; (2) call our toll-free telephone number at 877-639-2929; or (3) write in for information at our executive offices. We will offer informational brochures outlining our services or fees.

Sales activities include one-on-one personal contact with potential clients. Medical Alarm’s sales philosophy includes an in-depth discussion with our trained sales consultants to understand the desires and needs of our prospective and current customers in order to recommend the appropriate plan and set-up with each individual to achieve the highest level of satisfaction in our product.

Medical Alarm will prepare a sales contract specifying dates, times, services, limits of liability, and other appropriate information to be signed and returned by the customer along with full payment in advance.

The Company has taken the proven personal emergency response system (PERS) and upgraded it with a new state-of-the-art technology. We are introducing a 2-way voice speakerphone pendant that connects to a monitored call center. No other PERS system on the market today offers two-way voice communication directly through the pendant. In an emergency, the current systems require the user to be near the base station in order to communicate with the monitoring center. This leaves the user confined to a one-room radius of the base station at all times. Our system enables the user to communicate directly through their wearable pendant, leaving them free to move anywhere in and around the home.

The Company’s primary focus is in the sale of our medical devices. We intend to link, install and monitor the medical alarm systems to a central station. Our home communicator connects to a telephone line and our medical pendent, when activated, sends an automated digital telephone signal to a monitoring facility. Within seconds of activation, a highly trained monitoring professional follows a proscribed response protocol to quickly assess the situation and provide an appropriate response. This may include calling the police, fire, or ambulance to respond to the situation, or calling family, friends, or neighbors.

In addition, we also have a retail division that allows individuals who prefer not to pay the monthly fee, to make a one-time purchase of the unit. The unit will connect them to either a designated personal contact or to 911.

Competition

Philips Medical Systems

Philips Medical Systems (“Philips”), a growing leader in the medical device and diagnostic industry, is committed to providing innovative technology and services that enable health care providers to achieve clinical excellence. Philips is positioned to deliver solutions with unique clinical solutions and benefits and to meet health care’s challenges today and in the future. Philips is firmly established as a worldwide leader in most of its markets, including the markets for x-ray, ultrasound, nuclear medicine patient monitoring and automated external defibrillator devices.

Philips is represented in more than 60 countries and employs over 20,000 people. All of its products are backed by Philips’ worldwide network of research and development, and sales and service organizations. Philips recent acquisition of Lifeline Medical Alarm has positioned it as the largest PERS provider with over 700,000 monitored accounts.

Life Alert Emergency Response, Inc.

Since 1987, Life Alert Emergency Response, Inc. (“Life Alert”) has provided medical emergency response services to the elderly and others with medical conditions who experience life-threatening events. Life Alert is endorsed by Dr. C. Everett Koop, MD, former U.S. Surgeon General. Life Alert advertises on TV and in AARP magazine.

ITEM 1A. RISK FACTORS

Not applicable for smaller reporting companies.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable for smaller reporting companies.

ITEM 2. PROPERTIES

Our business office is located at 5215-C Militia Hill Road, Plymouth Meeting, PA 19462. This office is leased.

ITEM 3. LEGAL PROCEEDINGS

On April 16, 2010, the Company and LogicMark LLC reached a settlement agreement resolving litigation, as further described in Note 9 to the financial statements. To the best of our knowledge, there are no material pending litigation proceedings against us.

ITEM 4. [REMOVED AND RESERVED]

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES 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. On November 9, 2010, the closing price of the common stock was \$0.011 per share.

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.

Holders

As of November 9, 2010, we had 42 record holders of our common stock.

Dividends

We have never declared or paid any dividends on our common stock. We currently do not anticipate paying any cash dividends in the foreseeable future 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 plan of operation provides information which management believes is relevant to an assessment and understanding of our results of operations and financial condition. The discussion should be read along with our financial statements and notes thereto. This section includes a number of forward-looking statements that reflect our current views with respect to future events and financial performance. Forward-looking statements are often identified by words like believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our predictions.

Overview

Plan of Operation

The Company has taken the proven PERS system and upgraded it with a new state-of-the-art technology. We are introducing a 2-way voice speakerphone pendant that connects to a monitored call center. No other PERS system on the market today offers two-way voice communication directly through the pendant. In an emergency, the current systems require the user to be near the base station in order to communicate with the monitoring center. This leaves the user confined to a one-room radius of the base station at all times. Our system enables the user to communicate directly through their wearable pendant, leaving them free to move anywhere in and around the home.

The Company's primary focus is in the sale of our medical devices. We intend to link, install and monitor the medical alarm systems to a central station. Our home communicator connects to a telephone line and our medical pendant, when activated, sends an automated digital telephone signal to a monitoring facility. Within seconds of activation, a

highly trained monitoring professional follows a proscribed response protocol to quickly assess the situation and provide an appropriate response. This may include calling the police, fire, or ambulance to respond to the situation, or calling family, friends, or neighbors.

In addition, we also have a retail division that allows individuals who prefer not to pay the monthly fee, to make a one-time purchase of the unit. The unit will connect them to either a designated personal contact or to 911.

Results of Operations

The following discussion is based on the financial statements of the Company. The following tables and discussion summarize our financial statements for the years ended June 30, 2010 and 2009, and should be read in conjunction with the financial statements, and notes thereto, included with this Annual Report on Form 10-K at Part II, Item 8, below.

SUMMARY COMPARISON OPERATING RESULTS

| | Year ended June 30, | |
|------------------------------|---------------------|-------------|
| | 2010 | 2009 |
| Gross Profit | 346,856 | - |
| Total operating expenses | 3,008,922 | 1,553,500 |
| Loss from operations | (2,662,066) | (1,553,500) |
| Total other income (expense) | (2,000,313) | (204,589) |
| Net income (loss) | (4,662,379) | (1,758,089) |
| Net income (loss) per share | (0.05) | (0.04) |

Our operating expenses have increased from the year ended June 30, 2010 compared with the year ended June 30, 2009.

Liquidity and Capital Resources

As of June 30, 2010, we had \$0 in cash.

We believe we can satisfy our cash requirements for the next twelve months with our current cash flow from business operations, although there can be no assurance to that effect. If we are unable to satisfy our cash requirements, we may be unable to proceed with our plan of operation. We do not anticipate the purchase or sale of any significant equipment. We also do not expect any significant additions to the number of employees. The foregoing represents our best estimate of our cash needs based on current planning and business conditions. In the event we are not successful in reaching our initial revenue targets, additional funds may be required, and we may not be able to proceed with our business plan for the development and marketing of our core services. Should this occur, we may be forced to suspend or cease operations.

We anticipate incurring operating losses in the foreseeable future. Therefore, our auditors have raised substantial doubt about our ability to continue as a going concern.

Recent Accounting Pronouncements

In June 2003, the Securities and Exchange Commission (“SEC”) adopted final rules under Section 404 of the Sarbanes-Oxley Act of 2002 (“Section 404”), as amended by SEC Release No. 33-9072 on October 13, 2009. Commencing with its annual report for the fiscal year ending June 30, 2010, the Company will be required to include a report of management on its internal control over financial reporting. The internal control report must include a statement: (i) of management’s responsibility for establishing and maintaining adequate internal control over its financial reporting; (ii) of management’s assessment of the effectiveness of its internal control over financial reporting as of year end; and (iii) of the framework used by management to evaluate the effectiveness of the

Company's internal control over financial reporting.

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Furthermore, it is required to file the auditor's attestation report separately on the Company's internal control over financial reporting on whether it believes that the Company has maintained, in all material respects, effective internal control over financial reporting.

In June 2009, the FASB approved the "FASB Accounting Standards Codification" (the "Codification") as the single source of authoritative nongovernmental accounting principles generally accepted in the United States ("GAAP") to be launched on July 1, 2009. The Codification does not change current GAAP, but is intended to simplify user access to all authoritative GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered non-authoritative. The Codification is effective for interim and annual periods ending after September 15, 2009.

In August 2009, the FASB issued the FASB Accounting Standards Update No. 2009-04 "Accounting for Redeemable Equity Instruments - Amendment to Section 480-10-S99," which represents an update to section 480-10-S99, distinguishing liabilities from equity, per EITF Topic D-98, Classification and Measurement of Redeemable Securities. The Company does not expect the adoption of this update to have a material impact on its consolidated financial position, results of operations or cash flows.

In August 2009, the FASB issued the FASB Accounting Standards Update No. 2009-05 "Fair Value Measurement and Disclosures Topic 820 – Measuring Liabilities at Fair Value," which provides amendments to subtopic 820-10, Fair Value Measurements and Disclosures – Overall, for the fair value measurement of liabilities. This update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following techniques: 1. A valuation technique that uses: a. The quoted price of the identical liability when traded as an asset b. Quoted prices for similar liabilities or similar liabilities when traded as assets. 2. Another valuation technique that is consistent with the principles of topic 820; two examples would be an income approach, such as a present value technique, or a market approach, such as a technique that is based on the amount at the measurement date that the reporting entity would pay to transfer the identical liability or would receive to enter into the identical liability. The amendments in this update also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. The amendments in this update also clarify that both a quoted price in an active market for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. The Company does not expect the adoption of this update to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-08 "Earnings Per Share – Amendments to Section 260-10-S99," which represents technical corrections to topic 260-10-S99, Earnings per share, based on EITF Topic D-53, Computation of Earnings Per Share for a Period that includes a Redemption or an Induced Conversion of a Portion of a Class of Preferred Stock and EITF Topic D-42, The Effect of the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock. The Company does not expect the adoption of this update to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-09 "Accounting for Investments-Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees." This update represents a correction to Section 323-10-S99-4, Accounting by an Investor for Stock-Based Compensation Granted to Employees of an Equity Method Investee. Additionally, it adds observer comment Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than Employees to the Codification. The Company does not expect the adoption to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2009, the FASB issued the FASB Accounting Standards Update No. 2009-12 “Fair Value Measurements and Disclosures Topic 820 – Investment in Certain Entities That Calculate Net Assets Value Per Share (or Its Equivalent),” which provides amendments to Subtopic 820-10, Fair Value Measurements and Disclosures-Overall, for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent). The amendments in this update permit, as a practical expedient, a reporting entity to measure the fair value of an investment that is within the scope of the amendments in this update on the basis of the net asset value per share of the investment (or its equivalent) if the net asset value of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of Topic 946 as of the reporting entity’s measurement date, including measurement of all or substantially all of the underlying investments of the investee in accordance with Topic 820. The amendments in this update also require disclosures by major category of investment about the attributes of investments within the scope of the amendments in this update, such as the nature of any restrictions on the investor’s ability to redeem its investments on the measurement date, any unfunded commitments (for example, a contractual commitment by the investor to invest a specified amount of additional capital at a future date to fund investments that will be made by the investee), and the investment strategies of the investees. The major category of investment is required to be determined on the basis of the nature and risks of the investment in a manner consistent with the guidance for major security types in GAAP on investments in debt and equity securities in paragraph 320-10-50-1B. The disclosures are required for all investments within the scope of the amendments in this update regardless of whether the fair value of the investment is measured using the practical expedient. The Company does not expect the adoption to have a material impact on its consolidated financial position, results of operations or cash flows.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

Critical Accounting Policies and Estimates

Our financial statements and related public financial information are based on the application of GAAP. GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenues and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

Going Concern: The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The attainment of sustainable profitability and positive cash flow from operations is dependent on certain future events.

Use of Estimates: In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reported period. Actual results could differ from those estimates.

Revenue Recognition: Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is assured. We had no revenue for the fiscal year ended June 30, 2009.

Stock-Based Compensation: The Company accounts for its stock-based compensation under the provisions of SFAS No.123(R) Accounting for Stock Based Compensation. Under SFAS No. 123(R), the Company is permitted to record expenses for stock options and other employee compensation plans based on their fair value at the date of grant. Any such compensation cost is charged to expense on a straight-line basis over the periods the options vest. If the options had cashless exercise provisions, the Company would utilize variable accounting.

Common stock, stock options and common stock warrants issued to individuals other than employees or directors are recorded on the basis of their fair value, as required by SFAS No. 123(R), which is measured as of the date required by EITF Issue 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services. In accordance with EITF 96-18, the stock options or common stock warrants are valued using the Black-Scholes model on the basis of the market price of the underlying common stock on the valuation date, which for options and warrants related to contracts that have substantial disincentives to non-performance is the date of the contract, and for all other contracts is the vesting date. Expense related to the options and warrants is recognized on a straight-line basis over the shorter of the period over which services are to be received or the vesting period. Where expense must be recognized prior to a valuation date, the expense is computed under the Black-Scholes model on the basis of the market price of the underlying common stock at the end of the period, and any subsequent changes in the market price of the underlying common stock up through the valuation date is reflected in the expense recorded in the subsequent period in which that change occurs.

In December 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. SFAS No. 148 also amends the disclosure requirements of SFAS No. 123(R), requiring prominent disclosure in annual and interim financial statements regarding a company's method for accounting for stock-based employee compensation and the effect of the method on reported results.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as "special purpose entities" (SPEs).

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to certain market risks, including changes in interest rates and currency exchange rates. We have not undertaken any specific actions to limit those exposures.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Medical Alarm Concepts Holding, Inc.
Plymouth Meeting, Pennsylvania

We have audited the accompanying consolidated balance sheets of Medical Alarm Concepts Holding, Inc. (the "Company") as of June 30, 2010 and 2009 and the related consolidated statement of operations, stockholders' equity (deficit) and cash flows for the fiscal years then ended. 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 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 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 consolidated 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 the Company as of June 30, 2010 and 2009 and the results of its operations and its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company had an accumulated deficit at June 30, 2010 and had net loss and net cash used in operating activities for the fiscal year then ended, respectively. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Li & Company, PC

Skillman, New Jersey
November 10, 2010

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MEDICAL ALARM CONCEPTS HOLDING, INC.

JUNE 30, 2010 AND 2009

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| Consolidated Balance Sheets as of June 30, 2010 and June 30, 2009 | 10 |
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Medical Alarm Concepts Holding, Inc.

CONSOLIDATED BALANCE SHEETS

| | June 30, 2010 | June 30, 2009 |
|--|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ - | \$ 50,751 |
| Restricted cash | 35,150 | 60,000 |
| Accounts receivable, net | 16,213 | - |
| Inventory | 71,322 | - |
| Stock subscription receivable | - | 90,000 |
| Prepaid expenses | 121,754 | 59,644 |
| Total Current Assets | 244,439 | 260,395 |
| Property and equipment, net | 21,464 | 26,714 |
| Security deposit | 2,160 | 2,160 |
| Patent, net | 1,666,669 | 2,083,335 |
| TOTAL ASSETS | \$ 1,934,732 | \$ 2,372,604 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES | | |
| Derivative liability – warrants | \$ 1,489,055 | \$ - |
| Accounts payable | 87,588 | 94,969 |
| Bank overdraft | 14,977 | - |
| Deferred revenue | 37,213 | 27,515 |
| Due to officer | 24,000 | - |
| Accrued expenses | 12,177 | 12,500 |
| Total Current Liabilities | 1,665,010 | 134,984 |
| Patent payable | 2,500,000 | 2,500,000 |
| Convertible notes payable – face amount | 398,750 | 729,300 |
| Less original issue and notes payable discount | (157,517) | (440,722) |
| TOTAL LIABILITIES | 4,406,243 | 2,923,562 |
| STOCKHOLDERS' DEFICIT | | |
| Series A Convertible Preferred Stock: \$0.0001 par value; 50,000,000 shares authorized; 550,000 and 30,000,000 shares issued and outstanding, respectively | 55 | 3,000 |
| Series B Convertible Preferred Stock: \$0.0001 par value; 50,000,000 shares authorized; 34,700,000 shares issued and outstanding | 3,470 | - |
| Common stock : \$0.0001 par value; 800,000,000 shares authorized 201,590,744 and 45,259,400 shares issued and outstanding, respectively | 20,159 | 4,526 |
| Additional paid-in capital | 4,119,522 | 1,255,109 |
| Accumulated deficit | (6,614,717) | (1,813,593) |
| Total Stockholders' Deficit | (2,471,511) | (550,958) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | \$ 1,934,732 | \$ 2,372,604 |

See accompanying notes to the consolidated financial statements.

Medical Alarm Concepts Holding, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

| | For the Fiscal Year Ended June 30, | |
|--|---------------------------------------|----------------|
| | 2010 | 2009 |
| Revenue | \$ 613,357 | - |
| Cost of Sales | 266,501 | - |
| Gross Profit | 346,856 | - |
| Operating expenses | | |
| Advertising | 711,569 | 137,294 |
| Amortization | 416,666 | 416,665 |
| Bad debts | 12,855 | - |
| Compensation | 1,087,516 | 213,836 |
| Depreciation | 5,250 | - |
| General and administrative | 420,439 | 318,285 |
| Professional fees | 182,659 | 161,872 |
| Research and development | 91,980 | 130,318 |
| Travel and entertainment | 79,988 | 175,230 |
| Total operating expenses | 3,008,922 | 1,553,500 |
| Loss from operations | (2,662,066) | (1,553,500) |
| Other (income) expense | | |
| Derivative instrument | 1,206,196 | - |
| Other expense | 101,749 | - |
| Interest income | - | (4,274) |
| Interest expense | 692,368 | 208,863 |
| Other (income) expense, net | 2,000,313 | 204,589 |
| Loss before income taxes | (4,662,379) | (1,758,089) |
| Income tax provision | - | - |
| Net loss | \$ (4,662,379) | \$ (1,758,089) |
| Net loss per common share – basic and diluted | \$ (0.05) | \$ (0.04) |
| Weighted average number of common shares – basic and diluted | 90,975,644 | 45,253,398 |

See accompanying notes to the consolidated financial statements.

Medical Alarm Concepts Holding, Inc.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009

| | Preferred A Shares | Preferred A Amount | Preferred B Shares | Preferred B Amount | Common Shares | Common Amount | Additional Paid-In Capital | Deferred Compensation | Deficit Accumulated | Total Stockholders' Equity (Deficit) |
|--|-----------------------|-----------------------|-----------------------|-----------------------|------------------|------------------|----------------------------------|--------------------------|------------------------|---|
| Balance at June 30, 2008 | - | - | - | - | 45,181,800 | \$ 4,519 | 777,431 | | \$ (55,504) | \$ 726,436 |
| Common stock issued at \$5 per share | | | | | 77,600 | 7 | 19,393 | | | 19,400 |
| Preferred stock issued for services | 30,000,000 | 3,000 | | | | | | | | 3,000 |
| Value of warrants exercised with shares on March 30, 2009 | | | | | | | 302,940 | | | 302,940 |
| Value of warrants exercised with shares on June 30, 2009 | | | | | | | 155,345 | | | 155,345 |
| Net loss | | | | | | | | | (1,758,089) | (1,758,089) |
| Balance at June 30, 2009 | 30,000,000 | 3,000 | - | - | 45,259,400 | 4,526 | 1,255,109 | - | (1,813,593) | (550,958) |
| Retrospective adjustment in the warrants retrospective adjustment at January 1, 2009 upon adoption of | | | | | | | (417,800) | | (138,745) | (556,543) |

| | | | | | | | |
|---|--------------|---------|------------|-------|---------|--|---------|
| Preferred B stock issued cash at \$12 per share, net of taxes | 38,450,000 | 3,845 | | | 782,655 | | 786,500 |
| Conversion of Preferred B to common stock | (3,750,000) | (375) | 3,750,000 | 375 | | | |
| Convertible warrants and options converted to common stock | | | 36,922,186 | 3,693 | 388,037 | | 391,726 |
| Conversion of Preferred A to common stock | (29,450,000) | (2,945) | 29,450,000 | 2,945 | | | |
| Common stock issued for services at \$0.50 per share | | | 50,000 | 5 | 12,495 | | 12,550 |
| Common stock issued for services at \$0.20 per share | | | 3,200,000 | 320 | 63,680 | | 64,000 |
| Common stock issued for services at \$0.01 per share | | | 9,000,000 | 900 | 89,100 | | 90,000 |
| Common stock issued at \$0.20 per share for compensation | | | 45,000,000 | 4,500 | 895,500 | | 900,000 |
| | | | 19,450,000 | 1,945 | 113,262 | | 115,207 |

| | | | | | | | | | | | | |
|--|---------|----|----|------------|-----------|-------------|-----------|-----------|-----------|---------|----------------|----------------|
| Balance of common stock cash | | | | | | | | | | | | |
| Book value for common stock, less treasury stock | | | | | | | | | | | | |
| Exercise of warrants | | | | | 9,509,158 | 950 | 615,580 | | | | | 616,530 |
| Change in derivative liability | | | | | | | | | | | | |
| Warrants exercised for non-cash services | | | | | | | | 321,904 | (321,904) | | | |
| Amortization of deferred compensation | | | | | | | | | | 321,904 | | 321,904 |
| Net loss | | | | | | | | | | | (4,662,379) | (4,662,379) |
| Balance at December 31, 2010 | 550,000 | \$ | 55 | 34,700,000 | \$ 3,470 | 201,590,744 | \$ 20,159 | 4,119,522 | \$ | - | \$ (6,614,717) | \$ (2,471,530) |

See accompanying notes to the consolidated financial statements.

Medical Alarm Concepts Holding, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Fiscal Year Ending June 30, | |
|---|--|----------------|
| | 2010 | 2009 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (4,662,379) | \$ (1,758,089) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Preferred stock issued for services | - | 3,000 |
| Common stock issued for services | 1,066,500 | - |
| Amortization of deferred compensation | 321,904 | - |
| Derivative instrument | 1,206,196 | - |
| Amortization of patent | 416,666 | 416,665 |
| Amortization of original issue and notes payable discounts | 450,682 | 83,863 |
| Depreciation | 5,250 | 5,250 |
| Change in operating assets and liabilities | | |
| (Increase) decrease in: | | |
| Accounts receivable | (16,213) | - |
| Inventory | (71,322) | - |
| Prepaid expenses | 59,644 | (59,644) |
| Security deposit | - | 2,840 |
| Increase (decrease) in: | | |
| Accounts payable | (7,381) | 89,758 |
| Bank overdraft | 14,977 | - |
| Accrued expenses | (323) | 5,000 |
| Deferred revenue | 9,698 | 27,515 |
| Net Cash Used in Operating Activities | (1,206,101) | (1,183,842) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Furniture & Fixtures | - | (20,000) |
| Office Equipment | - | (11,964) |
| Net Cash Used in Operating Activities | - | (31,964) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Restricted cash | 24,850 | (60,000) |
| Collection of subscription receivable | 90,000 | - |
| Proceeds from convertible notes | 48,500 | 573,000 |
| Due to officer | 24,000 | - |
| Sale of preferred stock | 769,000 | - |
| Sale of common stock, net of offering costs | 199,000 | 19,400 |
| Net Cash Provided By Financing Activities | 1,155,350 | 532,400 |
| NET DECREASE IN CASH | (50,751) | (683,406) |
| CASH AT BEGINNING OF YEAR | 50,751 | 734,157 |
| CASH AT END OF YEAR | \$ - | \$ 50,751 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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| | For the Fiscal Year Ending June 30, | |
|--------------------------------|--|------|
| | 2010 | 2009 |
| CASH PAID FOR INTEREST EXPENSE | \$ - | \$ - |
| CASH PAID FOR INCOME TAXES | \$ - | \$ - |

See accompanying notes to the consolidated financial statements.

MEDICAL ALARM CONCEPTS HOLDING, INC.
June 30, 2010 and 2009
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 NATURE OF OPERATIONS

On June 4, 2008, Medical Alarm Concepts Holding, Inc. (the "Company") was incorporated under the laws of the State of Nevada. The Company was formed for the sole purpose of acquiring all of the membership units of Medical Alarm Concepts LLC, a Pennsylvania limited liability company ("Medical LLC").

On June 24, 2008, the Company merged with Medical LLC. The members of Medical LLC received 30,000,000 shares of the Company's common stock, or 100% of the outstanding shares in the merger. As of the date of the merger, Medical LLC was inactive.

The Company utilizes new technology in the medical alarm industry to provide 24-hour personal response monitoring services and related products to subscribers with medical or age-related conditions.

NOTE 2 SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 as well as the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fiscal year end

The Company's fiscal year ends on June 30.

Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Accounts receivable

Accounts receivable are recorded at the invoiced amount, net of an allowance for doubtful accounts. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical write-off experience, customer specific facts and economic conditions. Bad debt expense is included in general and administrative expenses, if any.

Outstanding account balances are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

The Company does not have any off-balance-sheet credit exposure to its customers.

Inventory

The Company values inventory, consisting of purchased products, at the lower of cost or market. Cost is determined on the first-in and first-out (“FIFO”) method. The Company regularly reviews its inventories on hand and, when necessary, records a provision for excess or obsolete inventories based primarily on current selling price and spot market prices. The Company determined that there was no inventory obsolescence as of June 30, 2010.

Property and equipment

Furniture and fixtures and office equipment are recorded at cost. Expenditures for major additions and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation of furniture and fixtures and office equipment is computed by the straight-line method (after taking into account their respective estimated residual values) over their estimated useful life of seven (7) and five (5) years, respectively. Upon sale or retirement of office equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in statements of operations.

Patent

The Company has adopted the guidelines as set out in section 330-30-35-6 of the FASB Accounting Standards Codification for patent costs. Under the requirements as set out, the Company capitalizes and amortizes patent costs associated with the licensed product the Company intends to sell pursuant to the Purchase Agreement and the Patent Assignment Agreements, entered into on July 10, 2008 and effective July 30, 2008, over their estimated useful life of six (6) years. The costs of defending and maintaining patents are expensed as incurred. Upon becoming fully amortized, the related cost and accumulated amortization are removed from the accounts.

Impairment of long-lived assets

The Company follows section 360-10-05-4 of the FASB Accounting Standards Codification for its long-lived assets. The Company’s reviews its long-lived assets, which include property and equipment, and patent, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The Company assesses the recoverability of its long-lived assets by comparing the projected undiscounted net cash flows associated with the related long-lived asset or group of long-lived assets over their remaining estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. Fair value is generally determined using the asset’s expected future discounted cash flows or market value, if readily determinable. If long-lived assets are determined to be recoverable, but the newly determined remaining estimated useful lives are shorter than originally estimated, the net book values of the long-lived assets are depreciated or amortized over the newly determined remaining estimated useful lives. The Company determined that there were no impairments of long-lived assets as of June 30, 2010.

Deferred revenue

All revenues from subscription arrangements are recognized ratably over the term of such arrangements.

Discount on debt

The Company has allocated the proceeds received from convertible debt instruments between the underlying debt instruments and has recorded the beneficial conversion feature as equity in accordance with paragraph 810-10-05-4 of the FASB Accounting Standards Codification. The conversion feature and certain other features were not considered

embedded derivative instruments at June 30, 2010. The Company has also recorded the resulting discount on debt related to the warrants and is amortizing the discount using the effective interest rate method over the life of the debt instruments.

Derivative warrant liability

The Company evaluates its convertible debt, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with paragraph 810-10-05-4 of the FASB Accounting Standards Codification and paragraph 815-40-25 of the FASB Accounting Standards Codification. The result of this accounting treatment is that the fair value of the embedded derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the Statement of Operations as other income or expense. Upon conversion, exercise or cancellation of a derivative instrument, the instrument is marked to fair value at the conversion date and then the related fair value is reclassified to equity.

In circumstances where the embedded conversion option in a convertible instrument is required to be bifurcated and there are also other embedded derivative instruments in the convertible instrument that are required to be bifurcated, the bifurcated derivative instruments are accounted for as a single, compound derivative instrument.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period. Equity instruments that are initially classified as equity that become subject to reclassification are reclassified to liability at the fair value of the instrument on the reclassification date. Derivative instrument liabilities will be classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument is expected within 12 months of the balance sheet date.

On January 1, 2009, the Company adopted Section 815-40-15 of the FASB Accounting Standards Codification ("Section 815-40-15") to determine whether an instrument (or an embedded feature) is indexed to the Company's own stock. Section 815-40-15 provides that an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. The adoption of Section 815-40-15 has affected the accounting for (i) certain freestanding warrants that contain exercise price adjustment features and (ii) convertible bonds issued by foreign subsidiaries with a strike price denominated in a foreign currency.

The Company classified warrants to purchase 65,545,000 shares of its common stock issued in connection with its offering of common stock as additional paid-in capital upon issuance of the warrants. Upon the adoption of Section 815-40-15 on January 1, 2009, these warrants are no longer deemed to be indexed to the Company's own stock and were reclassified from equity to a derivative liability with a fair value of \$556,545 effective as of January 1, 2009. The reclassification entry included a cumulative adjustment to retained earnings of \$138,745 and a reduction of additional paid-in capital of \$417,800, the amount originally classified as additional paid-in capital upon issuance of the warrants.

Fair Value of Financial Instruments

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value pursuant to GAAP and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

- Level 1 Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3 Pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amounts of the Company's financial assets and liabilities, such as cash, accounts receivable, stock subscription receivable, prepaid expenses, accounts payable, bank overdraft, deferred revenues and accrued liabilities, approximate their fair values because of the short maturity of these instruments. The Company's convertible notes payable approximate the fair value of such instruments based upon management's best estimate of interest rates that would be available to the Company for similar financial arrangements at June 30, 2010 and 2009.

The Company revalues its derivative warrant liability at every reporting period and recognizes gains or losses in the consolidated statements of operations and comprehensive income (loss) that are attributable to the change in the fair value of the derivative warrant liability. The Company has no other assets or liabilities measured at fair value on a recurring basis.

Revenue Recognition

The Company's revenues are derived principally from utilizing new technology in the medical alarm industry to provide 24-hour personal response monitoring services and related products to subscribers with medical or age-related conditions. The Company applies paragraph 605-10-S99-1 of the FASB Accounting Standards Codification for revenue recognition. The Company will recognize revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement that the services have been rendered to the customer, the sales price is fixed or determinable, and collectability is reasonably assured.

Shipping and handling costs

The Company accounts for shipping and handling fees in accordance with paragraph 605-45-45-19 of the FASB Accounting Standards Codification. While amounts charged to customers for shipping products are included in revenues, the related costs are classified in cost of goods sold as incurred.

Stock-based compensation for obtaining employee services

The Company accounts for equity instruments issued to parties other than employees for acquiring goods or services under guidance of section 505-50-30 of the FASB Accounting Standards Codification. Pursuant to paragraph 718-10-30-6 of the FASB Accounting Standards Codification, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option-pricing valuation model. The ranges of assumptions for inputs are as follows:

- The Company uses historical data to estimate employee termination behavior. The expected life of options granted is derived from paragraph 718-10-S99-1 of the FASB Accounting Standards Codification and represents the period of time the options are expected to be outstanding.
- The expected volatility is based on a combination of the historical volatility of the comparable companies' stock over the contractual life of the options.
- The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods within the contractual life of the option.

- The expected dividend yield is based on the Company's current dividend yield as the best estimate of projected dividend yield for periods within the contractual life of the option.

The Company's policy is to recognize compensation cost for awards with only service conditions and a graded vesting schedule on a straight-line basis over the requisite service period for the entire award.

Equity instruments issued to parties other than employees for acquiring goods or services

The Company accounts for equity instruments issued to parties other than employees for acquiring goods or services under guidance of section 505-50-30 of the FASB Accounting Standards Codification ("FASB ASC Section 505-50-30"). Pursuant to FASB ASC Section 505-50-30, all transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date used to determine the fair value of the equity instrument issued is the earlier of the date on which the performance is complete or the date on which it is probable that performance will occur.

Income taxes

The Company accounts for income taxes under Section 740-10-30 of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statements of Income and Comprehensive Income in the period that includes the enactment date.

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification ("Section 740-10-25"). Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty (50) percent likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The Company had no material adjustments to its liabilities for unrecognized income tax benefits according to the provisions of Section 740-10-25.

Net loss per common share

Net loss per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net loss per common share is computed by taking net loss divided by the weighted average number of common shares outstanding for the period. Diluted net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock and potentially outstanding shares of common stock during the period to reflect the potential dilution that could occur from common shares issuable through stock options, warrants, and convertible debt, which excludes 65,545,000 shares of common stock issuable under warrants and 39,875,000 shares of common stock issuable under the conversion feature of the convertible notes payable for the fiscal year ended June 30, 2010, no share equivalents were outstanding for the fiscal year ended June 30, 2009. These potential shares of common stock were not included as they were anti-dilutive.

Commitments and contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

Cash flows reporting

The Company adopted paragraph 230-10-45-24 of the FASB Accounting Standards Codification for cash flows reporting, classifies cash receipts and payments according to whether they stem from operating, investing, or financing activities and provides definitions of each category, and uses the indirect or reconciliation method (“Indirect method”) as defined by paragraph 230-10-45-25 of the FASB Accounting Standards Codification to report net cash flow from operating activities by adjusting net income to reconcile it to net cash flow from operating activities by removing the effects of (a) all deferrals of past operating cash receipts and payments and all accruals of expected future operating cash receipts and payments and (b) all items that are included in net income that do not affect operating cash receipts and payments. The Company reports the reporting currency equivalent of foreign currency cash flows, using the current exchange rate at the time of the cash flows and the effect of exchange rate changes on cash held in foreign currencies is reported as a separate item in the reconciliation of beginning and ending balances of cash and cash equivalents and separately provides information about investing and financing activities not resulting in cash receipts or payments in the period pursuant to paragraph 830-230-45-1 of the FASB Accounting Standards Codification.

Subsequent events

The Company follows the guidance in Section 855-10-50 of the FASB Accounting Standards Codification for the disclosure of subsequent events. The Company will evaluate subsequent events through the date when the financial statements are issued. Pursuant to ASU 2010-09 of the FASB Accounting Standards Codification, the Company as an SEC filer considers its financial statements issued when they are widely distributed to users, such as through filing them on EDGAR.

Recently Issued Accounting Pronouncements

In January 2010, the FASB issued the FASB Accounting Standards Update No. 2010-01 “Equity Topic 505 – Accounting for Distributions to Shareholders with Components of Stock and Cash,” which clarify that the stock portion of a distribution to shareholders that allows them to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in EPS prospectively and is not a stock dividend for purposes of applying Topics 505 and 260 (Equity and Earnings Per Share (“EPS”)). Those distributions should be accounted for and included in EPS calculations in accordance with paragraphs 480-10-25-14 and 260-10-45-45 through 45-47 of the FASB Accounting Standards codification. The amendments in this Update also provide a technical correction to the Accounting Standards Codification. The correction moves guidance that was previously included in the Overview and Background Section to the definition of a stock dividend in the Master Glossary. That guidance indicates that a stock dividend takes nothing from the property of the corporation and adds nothing to the interests of the stockholders. It also indicates that the proportional interest of each shareholder remains the same, and is a key factor to consider in determining whether a distribution is a stock dividend.

In January 2010, the FASB issued the FASB Accounting Standards Update No. 2010-02 “Consolidation Topic 810 – Accounting and Reporting for Decreases in Ownership of a Subsidiary – a Scope Clarification,” which provides amendments to Subtopic 810-10 and related guidance within GAAP to clarify that the scope of the decrease in ownership provisions of the Subtopic and related guidance applies to the following:

1. A subsidiary or group of assets that is a business or nonprofit activity;
2. A subsidiary that is a business or nonprofit activity that is transferred to an equity method investee or joint venture;
and

3. An exchange of a group of assets that constitutes a business or nonprofit activity for a noncontrolling interest in an entity (including an equity method investee or joint venture).

The amendments in this Update also clarify that the decrease in ownership guidance in Subtopic 810-10 does not apply to the following transactions even if they involve businesses:

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1. Sales of in substance real estate. Entities should apply the sale of real estate guidance in Subtopics 360-20 (Property, Plant, and Equipment) and 976-605 (Retail/Land) to such transactions.
2. Conveyances of oil and gas mineral rights. Entities should apply the mineral property conveyance and related transactions guidance in Subtopic 932-360 (Oil and Gas-Property, Plant, and Equipment) to such transactions.

If a decrease in ownership occurs in a subsidiary that is not a business or nonprofit activity, an entity first needs to consider whether the substance of the transaction causing the decrease in ownership is addressed in other GAAP, such as transfers of financial assets, revenue recognition, exchanges of nonmonetary assets, sales of in substance real estate, or conveyances of oil and gas mineral rights, and apply that guidance as applicable. If no other guidance exists, an entity should apply the guidance in Subtopic 810-10.

In January 2010, the FASB issued the FASB Accounting Standards Update No. 2010-06 “Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements,” which provides amendments to Subtopic 820-10 that require new disclosures as follows:

1. Transfers in and out of Levels 1 and 2. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers.
2. Activity in Level 3 fair value measurements. In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number).

This Update provides amendments to Subtopic 820-10 that clarify existing disclosures as follows:

1. Level of disaggregation. A reporting entity should provide fair value measurement disclosures for each class of assets and liabilities. A class is often a subset of assets or liabilities within a line item in the statement of financial position. A reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities.
2. Disclosures about inputs and valuation techniques. A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. Those disclosures are required for fair value measurements that fall in either Level 2 or Level 3.

This Update also includes conforming amendments to the guidance on employers’ disclosures about postretirement benefit plan assets (Subtopic 715-20). The conforming amendments to Subtopic 715-20 change the terminology from major categories of assets to classes of assets and provide a cross reference to the guidance in Subtopic 820-10 on how to determine appropriate classes to present fair value disclosures. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

In February 2010, the FASB issued the FASB Accounting Standards Update No. 2010-09 “Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements,” which provides amendments to Subtopic 855-10 as follows:

1. An entity that either (a) is an SEC filer or (b) is a conduit bond obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets) is required to evaluate subsequent events through the date that the financial statements are issued. If an

entity meets neither of those criteria, then it should evaluate subsequent events through the date the financial statements are available to be issued.

2. An entity that is an SEC filer is not required to disclose the date through which subsequent events have been evaluated. This change alleviates potential conflicts between Subtopic 855-10 and the SEC's requirements.
3. The scope of the reissuance disclosure requirements is refined to include revised financial statements only. The term revised financial statements is added to the glossary of Topic 855. Revised financial statements include financial statements revised either as a result of correction of an error or retrospective application of U.S. generally accepted accounting principles.

All of the amendments in this Update are effective upon issuance of the final Update, except for the use of the issued date for conduit debt obligors. That amendment is effective for interim or annual periods ending after June 15, 2010.

In April 2010, the FASB issued the FASB Accounting Standards Update No. 2010-17 "Revenue Recognition — Milestone Method (Topic 605) Milestone Method of Revenue Recognition," which provides guidance on the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate. A vendor can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive.

Determining whether a milestone is substantive is a matter of judgment made at the inception of the arrangement. The following criteria must be met for a milestone to be considered substantive. The consideration earned by achieving the milestone should:

1. Be commensurate with either of the following:
 - a. The vendor's performance to achieve the milestone.
 - b. The enhancement of the value of the item delivered as a result of a specific outcome resulting from the vendor's performance to achieve the milestone.
2. Relate solely to past performance.
3. Be reasonable relative to all deliverables and payment terms in the arrangement.

A milestone should be considered substantive in its entirety. An individual milestone may not be bifurcated. An arrangement may include more than one milestone, and each milestone should be evaluated separately to determine whether the milestone is substantive. Accordingly, an arrangement may contain both substantive and nonsubstantive milestones.

A vendor's decision to use the milestone method of revenue recognition for transactions within the scope of the amendments in this Update is a policy election. Other proportional revenue recognition methods also may be applied as long as the application of those other methods does not result in the recognition of consideration in its entirety in the period the milestone is achieved.

A vendor that is affected by the amendments in this Update is required to provide all of the following disclosures:

1. A description of the overall arrangement.
2. A description of each milestone and related contingent consideration.
3. A determination of whether each milestone is considered substantive.

4. The factors that the entity considered in determining whether the milestone or milestones are substantive.

5. The amount of consideration recognized during the period for the milestone or milestones.

The amendments in this Update are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted. If a vendor elects early adoption and the period of adoption is not the beginning of the entity's fiscal year, the entity should apply the amendments retrospectively from the beginning of the year of adoption. Additionally, a vendor electing early adoption should disclose the following information at a minimum for all previously reported interim periods in the fiscal year of adoption:

- | | |
|----|--|
| 1. | Revenue. |
| 2. | Income before income taxes. |
| 3. | Net income. |
| 4. | Earnings per share. |
| 5. | The effect of the change for the captions presented. |

A vendor may elect, but is not required, to adopt the amendments in this Update retrospectively for all prior periods.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

NOTE 3

GOING CONCERN

As reflected in the accompanying consolidated financial statements, the Company had an accumulated deficit of \$6,614,717 at June 30, 2010, and had a net loss of \$4,662,379 and net cash used in operating activities of \$1,206,101 for the year ended June 30, 2010.

While the Company is attempting to generate sufficient revenues, the Company's cash position may not be enough to support the Company's daily operations. Management intends to raise additional funds by way of a public or private offering. Management believes that the actions presently being taken to further implement its business plan and generate sufficient revenues provide the opportunity for the Company to continue as a going concern. While the Company believes in the viability of its strategy to increase revenues and in its ability to raise additional funds, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate sufficient revenues.

The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 4

PROPERTY AND EQUIPMENT

Property and equipment, stated at cost, less accumulated depreciation at June 30, 2010 and 2009 consisted of the following:

| | Estimated Useful Life (Years) | June 30, 2010 | June 30, 2009 |
|------------------------|----------------------------------|---------------|---------------|
| Furniture and fixtures | 7 | \$ 20,000 | \$ 20,000 |

| | | | |
|--------------------------------|----|----------|-----------|
| Office equipment | 5 | 11,964 | 11,964 |
| | | 31,964 | 31,964 |
| Less: accumulated depreciation | | (10,500) | (5,250) |
| | \$ | 21,464 | \$ 26,714 |

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Depreciation expense for the fiscal year ended June 30, 2010 and 2009 was \$5,250 each.

NOTE 5

PATENT

On July 10, 2008, the Company entered into a Purchase Agreement and Patent Assignment Agreement (the "Agreement") to be effective July 31, 2008. The Company is obligated to pay the seller \$2,500,000 on June 30, 2012. The Agreement specifies interest of 6% to be payable monthly, commencing on July 31, 2008. The seller will reacquire all patents and applications if payment is not made on June 30, 2012. The patent is being amortized over its estimated useful life of six (6) years.

Patent, stated at cost, less accumulated amortization at June 30, 2010 and 2009, consisted of the following:

| | Estimated Useful Life (Years) | June 30, 2010 | June 30, 2009 |
|--------------------------------|----------------------------------|---------------|---------------|
| Patent | 6 | \$ 2,500,000 | \$ 2,500,000 |
| Less: accumulated amortization | | (833,331) | (416,665) |
| | | \$ 1,666,669 | \$ 2,083,335 |

Amortization expense for the fiscal year ended June 30, 2010 and 2009 was \$416,666 and \$416,665, respectively.

NOTE 6

CONVERTIBLE NOTES PAYABLE

On March 30, 2009, the Company sold six (6) convertible promissory notes in the aggregate principal amount of \$467,500. The aggregate gross proceeds of the notes were \$425,000. The notes do not bear interest, but instead were issued at an aggregate discount of \$42,500. The notes were due and payable April 30, 2010. The notes can convert into shares of the Company's common stock, par value \$0.0001, at \$0.02 per share. The notes are currently being renegotiated. The notes state that interest accrues at 14% per annum after April 30, 2010 if the notes are not satisfied timely.

On March 29, 2010, a note holder converted \$68,750 of a note for 3,437,500 shares of common stock at a conversion price of \$0.02 per share and the remaining balance of \$398,750 was extended with the same terms and conditions to be due and payable March 31, 2011.

On June 15, 2009, the Company sold convertible promissory notes in the aggregate principal amount of \$261,800. The aggregate gross proceeds of the sales were \$238,000. The notes do not bear interest, but instead were issued at an aggregate discount of \$23,800. The notes are due and payable July 15, 2010. The notes can convert into shares of the Company's common stock, par value \$0.0001, at \$0.02 per share. On June 21, 2010, the notes were converted into 13,090,000 shares of common stock at \$0.02 per share.

On July 15, 2009, the Company sold convertible promissory notes in the aggregate principal amount of \$53,350. The aggregate gross proceeds of the sales were \$48,500. The notes do not bear interest, but instead were issued at an aggregate discount of \$4,850. The notes are due and payable August 15, 2010. The notes can convert into shares of the Company's common stock, par value \$0.0001, at \$0.02 per share. On June 21, 2010, the notes were converted into 2,667,500 shares of common stock at \$0.01 per share.

NOTE 7

DERIVATIVE WARRANT LIABILITY AND FAIR VALUE

The Company has evaluated the application of ASC 815 Derivatives and Hedging (formerly SFAS No. 133) and ASC 815-40-25 to the Warrants to purchase common stock issued with the 3/30/09, 6/15/09, 7/15/09 and 12/7/09 Convertible Notes and service agreements. Based on the guidance in ASC 815 and ASC 815-40-25, the Company concluded these instruments were required to be accounted for as derivatives as of July 1, 2009 due to the down round protection feature on the conversion price and the exercise price. The Company records the fair value of these derivatives on its balance sheet at fair value with changes in the values of these derivatives reflected in the statements of operations as "Gain (loss) on derivative liabilities." These derivative instruments are not designated as hedging instruments under ASC 815 and are disclosed on the balance sheet under Derivative Liabilities.

ASC 820-10 (formerly FAS 157) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820-10 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820-10 describes three levels of inputs that may be used to measure fair value: Level 1 – Quoted prices in active markets for identical assets or liabilities; Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and Level 3 – Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation. The Company's Level 3 liabilities consist of the derivative liabilities associated with the 3/30/09, 6/15/09, 7/15/09 and 12/7/09 warrants. At September 30, 2009, all of the Company's derivative liabilities were categorized as Level 3 fair value assets. If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Level 3 Valuation Techniques

Financial assets are considered Level 3 when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial liabilities consist of the notes and warrants for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. We have valued the notes and warrants that contain down round provisions using a lattice model, with the assistance of a valuation consultant, for which management understands the methodologies. This model incorporates transaction details such as the Company's stock price, contractual terms, maturity, risk free rates, as well as assumptions about future financings, volatility, and holder behavior as of June 30, 2010. The warrants primary assumptions include projected annual volatility of 140% and holder exercise targets at 200% of the projected exercise price for the warrants, decreasing as the warrants approach maturity. The notes primary assumptions include projected annual volatility of 140%; a 2011 financing triggering a conversion price reset and holder conversion targets at 200% of the projected conversion price for the notes, decreasing as the notes approach maturity. The fair value of the derivatives as of June 30, 2010 was estimated by management to be \$1,489,055.

The foregoing assumptions will be reviewed quarterly and are subject to change based primarily on management's assessment of the probability of the events described occurring. Accordingly, changes to these assessments could materially affect the valuation.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

Financial assets and liabilities measured at fair value on a recurring basis are summarized below and disclosed on the balance sheet under Derivative Liabilities:

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| | As of June 30, 2010 | | | | Total |
|------------------------------|---------------------|---------|---------|--------------|--------------|
| | Carrying Value | Level 1 | Level 2 | Level 3 | |
| Derivative Liabilities | \$ 1,489,055 | — | — | \$ 1,489,055 | \$ 1,489,055 |
| Total Derivative Liabilities | \$ 1,489,055 | — | — | \$ 1,489,055 | \$ 1,489,055 |

The table below provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the second quarter of 2010:

| | Fair Value Measurements Using Level 3 Inputs | |
|--|--|--------------|
| | Derivative Liabilities | Totals |
| Beginning Balance as of March 31, 2010 | \$ 737,011 | \$ 737,011 |
| Total Gains or Losses (realized/unrealized) Included in Net Loss | 516,035 | 516,035 |
| Purchases, Issuances and Settlements | 236,009 | 236,009 |
| Transfers in and/or out of Level 3 | — | — |
| Ending Balance at June 30, 2010 | \$ 1,489,055 | \$ 1,489,055 |

NOTE 8

DUE TO OFFICER

During the fiscal year ended June 30, 2010, the Company's chief executive officer advanced the Company \$24,000. The advances bear no interest and are payable on demand.

NOTE 9

STOCKHOLDERS' DEFICIT

Series A Convertible Preferred Stock

The Series A Convertible Preferred Stock has no voting rights, bears no dividends and is convertible at the option of the holder after the date of issuance at a rate of 1 share of common stock for every preferred share issued however, the preferred shares cannot be converted if conversion would cause the holder to own more than 5% of the issued and outstanding common stock.

During the fiscal year ended June 30, 2010, certain shareholders' converted 29,450,000 shares of the Series A Convertible Preferred Stock for 29,450,000 shares of common stock.

Series B Convertible Preferred Stock

The Series B Convertible Preferred Stock has no voting rights, bears no dividends and is convertible at the option of the holder after the date of issuance at a rate of 1 share of common stock for every preferred share issued however, the preferred shares cannot be converted if conversion would cause the holder to own more than 5% of the issued and outstanding common stock.

For the fiscal year ended June 30, 2010, the Company issued 34,700,000 shares of the Series B Convertible Preferred Stock for \$769,000 in cash.

Common Stock

On October 1, 2009, the Company issued 50,000 shares of its common stock at its fair market value of \$0.25 per share or \$12,500 for services.

On November 25, 2009, the Company issued 200,000 shares of its common stock at its fair market value of \$0.02 per share or \$4,000 for services.

On November 25, 2009, the Company issued 45,000,000 shares of its common stock at its fair market value of \$0.02 per share or \$900,000 for compensation.

On January 1, 2010, the Company issued 3,000,000 shares of its common stock at its fair market value of \$0.02 per share or \$60,000 for services.

On January 1, 2010, the Company issued 100,000 shares of its common stock at its fair market value of \$0.02 per share or \$2,000 in cash.

On February 1, 2010, the Company issued 600,000 shares of its common stock at its fair market value of \$0.02 per share or \$12,000 in cash.

On February 18, 2010, the Company issued 1,250,000 shares of its common stock at its fair market value of \$0.02 per share or \$25,000 in cash.

On March 8, 2010, the Company issued 7,015,625 shares of its common stock in exchange for 7,734,375 warrants issued in connection with the issuance of Series B convertible preferred stock in a cashless exercise.

On March 29, 2010, a note holder converted \$68,750 of the convertible note for 3,437,500 shares of common stock at a conversion price of \$0.02 per share.

During the quarter ended March 31, 2010, individual shareholders' converted 28,150,000 shares of the Series A Convertible Preferred Stock for 28,150,000 shares of common stock.

On April 7, 2010, a preferred stockholder converted 1,300,000 shares of Series A Convertible Preferred Stock for 1,300,000 shares of common stock.

On May 19, 2010, the Company issued 9,000,000 shares of its common stock at its fair market value of \$0.01 per share or \$90,000 for settlement of lawsuit with LogicMark LLC.

On June 3, 2010, a preferred stockholder converted 1,250,000 shares of Series B Convertible Preferred Stock for 1,250,000 shares of common stock.

On June 3, 2010, a preferred stockholder converted 2,500,000 shares of Series A Convertible Preferred Stock for 2,500,000 shares of common stock.

On June 21, 2010, note holders converted \$315,150 of convertible notes for 33,484,686 shares of common stock at a conversion price of \$0.01 per share.

On June 22, 2010, the Company issued 2,493,533 shares of its common stock in exchange for 5,900,000 Class B Warrants in a cashless exercise.

On June 25, 2010, the Company issued 17,500,000 shares of its common stock at its fair market value of \$0.01 per share or \$160,000 in cash, net of expenses.

Litigation

On or about November 24, 2009, LogicMark LLC, a Virginia corporation (“LogicMark”), filed a lawsuit in U.S. Federal Court for the Eastern District of Virginia against the Company, Medical LLC, and Mr. Nevin Jenkins, an individual residing in Florida. The complaint essentially alleges that (a) the Company’s Medipendant product infringes on several claims of a patent which LogicMark recently purchased from a bankrupt British company; (b) Mr. Jenkins, the inventor of the patents which the Company has acquired failed to include certain inventorship information in his patent application with the U.S. Patent and Trademark Office; and (c) the Company misrepresented in its advertising and marketing of the Medipendant product that the Company was the first company to market a monitored Personal Emergency Response System product. The Company has denied the claims asserted in the lawsuit and filed its own infringement claims against LogicMark. The Company will vigorously defend against the LogicMark claims and believes the lawsuit will be successfully resolved. The lawsuit has had no adverse impact on the Company’s business operations as it continues to manufacture and market its product and is distributing the Medipendant to dealers and customers.

On April 16, 2010, the Company and LogicMark reached a settlement agreement resolving the litigation. As a result of the settlement, all outstanding causes of action between the parties have been dismissed, without acknowledgement of liability by either party, and the parties retain their rights in their respective intellectual property. The parties agreed to file a joint motion to dismiss with prejudice and both parties covenant not to bring any further suits against the parties for a period of twenty-four (24) months following the settlement. The terms of the settlement agreement are confidential.

Warrants

On March 30, 2009, together with the sale of convertible promissory notes discussed in Note 4, the Company issued warrants to purchase 2,337,500 shares of the Company’s common stock. The warrants are exercisable over five (5) years at an exercise price of \$0.45 per share. The fair value of these warrants granted, estimated on the date of grant, was \$302,940, which has been recorded as a discount to the convertible notes payable, using the Black-Scholes option-pricing model.

Because of the issuance on December 2, 2009, the Company issued additional warrants to purchase 50,256,250 shares of the Company’s common stock. The warrants are now exercisable over five (5) years at an exercise price of \$0.02 per share.

On June 15, 2009, together with the sale of convertible promissory notes discussed in Note 4, the Company issued warrants to purchase 1,309,000 shares of the Company’s common stock. The warrants are exercisable over five years at an exercise price of \$0.45 per share. The fair value of these warrants granted, estimated on the date of grant, was \$155,345, which has been recorded as a discount to the convertible notes payable, using the Black-Scholes option-pricing model.

Because of the issuance on December 2, 2009, the Company issued additional warrants to purchase 28,143,500 shares of the Company’s common stock. The warrants are now exercisable over five years at an exercise price of \$0.02 per share.

On July 15, 2009, together with the sale of convertible promissory notes discussed in Note 4, the Company issued warrants to purchase 294,250 shares of the Company’s common stock. The warrants are exercisable over five years at an exercise price of \$0.45 per share. The fair value of these warrants granted, estimated on the date of grant, was \$22,983, which has been recorded as a discount to the convertible notes payable, using the Black-Scholes option-pricing model.

Because of the issuance on December 2, 2009, the Company issued additional warrants to purchase 5,735,125 shares of the Company's common stock. The warrants are now exercisable over five years at an exercise price of \$0.02 per share.

On December 2, 2009 the Company issued 26,869,000 warrants of common stock with an exercise price of \$0.02 per share. The 5 year warrants vest over 4 quarters with a 6 month lockup. The fair value of these warrants granted, estimated on the date of grant, was \$321,904, which has been recorded as deferred compensation that has been fully amortized over a period of six-months, using the Black-Scholes option-pricing model.

On March 8, 2010, the Company issued 7,015,625 shares of its common stock pursuant to the cashless exercise of 7,734,375 Warrants.

Stock warrant activities for the fiscal year ended June 30, 2010 is summarized as follows:

| | Number of shares | Weighted average exercise price |
|------------------------------|---------------------|--|
| Outstanding at June 30, 2009 | 68,411,875 | \$ 0.02 |
| Granted | 18,501,875 | 0.01 |
| Exercised | (21,368,750) | 0.02 |
| Outstanding at June 30, 2010 | 65,545,000 | \$ 0.02 |

Financial assets are considered Level 3 under paragraph 820-10-35-37 of the FASB Accounting Standards Codification when their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial liabilities consist of the warrants for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. The Company has valued the freestanding warrants that contain down round provisions using a lattice model, with the assistance of a valuation consultant, for which management understands the methodologies. This model incorporates transaction details such as the Company's stock price, contractual terms, maturity, risk free rates, as well as assumptions about future financings, volatility, and holder behavior as of December 7, 2009 and June 30, 2010. The primary assumptions include projected annual volatility of 210% and holder exercise targets at 200% of the projected exercise price for the warrants, decreasing as the warrants approach maturity. The fair value of the derivatives as of June 30, 2010 was estimated by management to be \$1,489,055.

The foregoing assumptions will be reviewed quarterly and are subject to change based primarily on management's assessment of the probability of the events described occurring. Accordingly, changes to these assessments could materially affect the valuation.

NOTE 10

RELATED PARTY TRANSACTIONS

The Company subleases its office space from an affiliate owned by its officers. Total rent expense for the fiscal year ended June 30, 2010 was \$14,000 and the related party paid an additional \$16,000 in rent for the fiscal year ended June 30, 2010. The related party also paid \$5,800 for telephone and utilities for the fiscal year ended June 30, 2010.

The Company issued 4,950,000 shares of common stock to an affiliate owned by its officers for the conversion of a \$99,000 convertible note at \$0.02 per share.

NOTE 11

CONCENTRATION AND CREDIT RISK

During the fiscal year ended June 30, 2010, one customer accounted for \$425,000 of the total sales or approximately 68% of the Company's revenue.

A reduction in sales from or loss of such customer would have a material adverse effect on the Company's results of operations and financial condition.

NOTE 12

SUBSEQUENT EVENTS

The Company has evaluated all events that occur after the balance sheet date through the date when the financial statements were issued to determine if they must be reported. The management of the Company determined that there were certain reportable subsequent events to be disclosed as follows:

Common stock issuance

The Company issued 85,046,196 shares of stock to various individuals and entities for cash, services and warrant conversions.

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

Not applicable.

ITEM 9A(T). CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Howard Teicher, our Chief Executive Officer, and Ronnie Adams, our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of our fiscal year ended June 30, 2010 pursuant to Rules 13a-15(b) or 15d-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, as appropriate, to allow timely decisions regarding required disclosure. Based on their evaluation, Messrs. Teicher and Adams concluded that our disclosure controls and procedures were ineffective as of June 30, 2010 to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms.

In order to rectify our ineffective disclosure controls and procedures, we are developing a plan to ensure that all information will be recorded, processed, summarized and reported accurately, and as of the date of this report, we have taken the following steps to address our ineffective disclosure controls and procedures:

- We will continue to educate our management personnel to comply with the disclosure requirements of the Exchange Act and Regulation S-K; and
- We will increase management oversight of accounting and reporting functions in the future.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions

Management's Annual Report on Internal Control Over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control system over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included an assessment of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded as of June 30, 2010 that our internal controls over financial reporting were effective.

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this Annual Report.

Changes in Internal Control over Financial Reporting. There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B.

OTHER INFORMATION

Not applicable.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Our executive officers and directors and their respective ages as of November 9, 2010 are as follows:

| Name | Age | Position |
|----------------|-----|---|
| Howard Teicher | 41 | Chief Executive Officer, Chairman of the Board of Directors |
| Ronnie Adams | 61 | President, Chief Financial Officer, and Director |

Set forth below is a brief description of the background and business experience of our executive officers and directors for the past five years.

Howard Teicher

Mr. Teicher serves as our Chief Executive Officer, Chairman of the Board of Directors and is the founder of the Company. Mr. Teicher has been in the alarm industry for over 10 years and in the direct sales and marketing business for over 20 years. He owned and grew one of the largest home health air purification businesses in the United States. He is the recipient of top sales dealer of the year awards from such companies as Honeywell and General Electric.

Ronnie Adams

Ronnie Adams serves as our President, Chief Financial Officer, and Director. He has also served as President and Chief Financial Officer of a NASDAQ company that he started from inception and grew to over \$60 million. Mr. Adams was the recipient of the prestigious Entrepreneur of the Year Award in 1996, sponsored by Dow Jones, NASDAQ, and Ernst & Young.

Term of Office

Our directors are appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until removed by the board.

Current Issues and Future Management Expectations

No board audit committee has been formed as of the filing of this Annual Report on Form 10-K.

Compliance With Section 16(a) Of The Exchange Act

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the SEC and are required to furnish copies to the Company. To the best of the Company's knowledge, any reports required to be filed were timely filed in fiscal year ended June 30, 2010.

Code of Ethics

The Company has not adopted a Code of Ethics. The officers and directors expect to adopt a code of ethics in the future.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following summary compensation table sets forth all compensation awarded to, earned by, or paid to the named executive officer during the years ended June 30, 2010 and 2009 in all capacities for the accounts of our executive officers, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO):

| Name and Principal Position | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$) | Option Awards (\$) | Non-Equity Incentive Plan Compensation (\$) | Non-qualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Totals (\$) |
|------------------------------------|------|-------------|------------|-------------------|--------------------|---|---|-----------------------------|-------------|
| Howard Teicher CEO and Chairman | 2010 | \$ 44,372 | 0 | \$ 290,000 | 0 | 0 | 0 | \$ 9,288(2) | \$ 343,660 |
| | 2009 | \$ 46,165 | 0 | 0 | 0 | 0 | 0 | \$ 8,492 | \$ 54,657 |
| Ronnie Adams CFO | 2010 | \$ 39,779 | 0 | \$ 290,000 | 0 | 0 | 0 | \$ 7,925(1) | \$ 337,704 |
| | 2009 | \$ 49,938 | 0 | 0 | 0 | 0 | 0 | \$ 1,603 | \$ 51,541 |

(1) Mr. Teicher's other compensation in 2010 consisted of \$7,128 for a car allowance and \$2,160 in automobile insurance. Mr. Teicher's other compensation in 2009 consisted of \$7,128 for a car allowance and \$1,364 in automobile insurance.

(2) Mr. Adams' other compensation in 2010 consisted of \$7,925 for a car allowance. Mr. Adams' other compensation in 2009 consisted of \$1,603 for a car allowance.

Option Grants. Th