

MEDICAL ALARM CONCEPTS HOLDINGS INC  
Form 10-Q  
August 26, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

---

FORM 10-Q

---

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

For the quarterly period ended March 31, 2011

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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

NEVADA  
(State or other jurisdiction of  
incorporation or organization)

333-153290  
(Commission File No.)

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

200West Church Road, Suite B  
King of Prussia, PA 19405  
(Address of Principal Executive Offices)

---

(877) 639-2929  
(Registrant's Telephone Number, Including Area Code)

---

5215-C Militia Hill Road, Plymouth Meeting, PA 19462  
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

Indicate by check mark 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 (Check one):

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

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

State the number of shares outstanding of each of the issuer’s classes of common equity as of August 25, 2011:  
373,174,121 shares of Common Stock.

---

MEDICAL ALARM CONCEPTS HOLDING, INC.

FORM 10-Q

March 31, 2011

INDEX

PART I— FINANCIAL INFORMATION

Item 1.	Financial Statements	F-1
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	3
Item 3	Quantitative and Qualitative Disclosures About Market Risk	6
Item 4T.	Controls and Procedures	6

PART II— OTHER INFORMATION

Item 1	Legal Proceedings	8
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	8
Item 6.	Exhibits	9

SIGNATURE		10
-----------	--	----

ITEM 1. FINANCIAL STATEMENTS

MEDICAL ALARM CONCEPTS HOLDING, INC.

FINANCIAL STATEMENTS	Page #
Consolidated Balance Sheets as of March 31, 2011 (Unaudited) and June 30, 2010	F-2
Consolidated Statements of Operations for the three months and nine months ended March 31, 2011 and 2010 (Unaudited)	F-3
Consolidated Statements of Cash Flows for the nine months ended March 31, 2011 and 2010 (Unaudited)	F-4
Notes to the Consolidated Financial Statements (Unaudited)	F-5

F-1

---

## Medical Alarm Concepts Holding, Inc.

## CONSOLIDATED BALANCE SHEETS

	March 31, 2011 (Unaudited)	June 30, 2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$-	\$-
Restricted cash	-	35,150
Accounts receivable, net of allowance of \$12,855 and \$12,855, respectively	5,487	16,213
Inventory	22,165	71,322
Prepaid expenses	1,620	121,754
Total current assets	29,272	244,439
Property and equipment, net	17,527	21,464
Security deposit	850	2,160
Patent, net of accumulated amortization of \$1,145,831 and \$833,331	1,354,169	1,666,669
<b>TOTAL ASSETS</b>	<b>\$1,401,818</b>	<b>\$1,934,732</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Derivative liability - warrants	\$393,380	\$1,489,055
Accounts payable	113,058	87,588
Bank overdraft	21,176	14,977
Deferred revenue	67,094	37,213
Due to officer	-	24,000
Due to affiliate	8,250	-
Common stock to be issued	15,000	-
Accrued expenses	31,139	12,177
Total current liabilities	649,097	1,665,010
Patent payable	2,500,000	2,500,000
Convertible notes payable - face amount	271,675	398,750
Less original issue and notes payable discount	(10,719 )	(157,517 )
<b>TOTAL LIABILITIES</b>	<b>3,410,053</b>	<b>4,406,243</b>
<b>STOCKHOLDERS' DEFICIT</b>		
Series A convertible preferred stock - at \$0.0001 par value; 50,000,000 shares authorized, 550,000 issued and outstanding	55	55

Edgar Filing: MEDICAL ALARM CONCEPTS HOLDINGS INC - Form 10-Q

Series B convertible preferred stock - at \$0.0001 par value; 50,000,000 shares authorized, 9,950,000 and 34,700,000 issued and outstanding, respectively	995	3,470
Common stock - at \$0.0001 par value; 800,000,000 shares authorized 327,612,868 and 201,590,744 issued and outstanding, respectively	32,761	20,159
Additional paid-in capital	5,212,540	4,119,522
Accumulated deficit	(7,254,586)	(6,614,717)
Total stockholders' deficit	(2,008,235)	(2,471,511)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$1,401,818</b>	<b>\$1,934,732</b>

See accompanying notes to the consolidated financial statements

F-2

---

## Medical Alarm Concepts Holding, Inc.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,		Six Months Ended December 31,	
	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)
Revenue	\$217,443	\$228,428	\$418,776	\$561,257	\$201,333	\$332,829
Cost of sales	62,763	83,944	147,115	255,644	84,352	171,700
Gross Profit	154,680	144,484	271,661	305,613	116,981	161,129
Operating expenses						
Advertising	64,353	415,714	596,137	580,602	531,784	164,888
Amortization	104,167	104,166	312,500	312,499	208,333	208,333
Compensation	404	935,474	52,470	1,061,025	52,066	1,025,551
Depreciation	1,312	1,312	3,937	3,937	2,625	2,625
General and administrative	80,684	123,982	174,492	365,956	93,808	241,974
Professional fees	30,088	(9,689 )	138,165	137,661	108,077	101,350
Research and development	-	34,217	74,288	91,980	74,288	57,763
Travel and entertainment	13,734	15,499	42,503	60,611	28,769	45,112
Total operating expenses	294,742	1,620,675	1,394,492	2,614,271	1,099,750	1,847,596
Loss from operations	(140,062 )	(1,476,191 )	(1,122,831 )	(2,308,658 )	(982,769 )	(1,686,467 )
Other income (expenses)						
Gain (loss) on derivative liabilities	131,557	17,863,928	697,429	(828,907 )	565,872	(18,692,835)
Other expense	-	(90,000 )	-	(101,349 )	-	(11,349 )
Interest expense	(71,151 )	(171,980 )	(214,467 )	(500,308 )	(143,316 )	(328,328 )
Total other income (expenses)	60,406	17,601,948	482,962	(1,430,564 )	422,556	(19,032,512)
Income (loss) before income taxes	(79,656 )	16,125,757	(639,869 )	(3,739,222 )	(560,213 )	(20,718,979)
Provision for income taxes	-	-	-	-	-	-
Net income (loss)	\$(79,656 )	\$16,125,757	\$(639,869 )	\$(3,739,222 )	\$(560,213 )	\$(20,718,979)

Net income (loss) per common share - basic and diluted	\$ (0.00	) \$ 0.14	\$ (0.00	) \$ (0.05	) \$ (0.00	) \$ (0.38	)
Weighter average of common shares - basic and diluted	285,362,723	112,097,004	247,132,983	73,162,993	247,132,983	54,119,183	

See accompanying notes to the consolidated financial statements

F-3

---



## Medical Alarm Concepts Holding, Inc.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Nine Months Ended  
March 31,  
2011            2010  
(Unaudited)   (Unaudited)

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net loss	\$(639,869 )	\$(3,739,222)
Adjustments to reconcile net loss to net cash used in operating activities		
Common stock issued for services	400,000	812,500
Amortization of deferred compensation	-	262,020
Derivative instrument	(697,429 )	828,907
Depreciation	3,937	3,937
Amortization of patent	312,500	312,499
Amortization of original issue and notes payable discounts	137,738	387,808
Change in operating assests and liabilities:		
Accounts receivable	10,726	(18,052 )
Inventory	49,157	(93,968 )
Prepaid expenses	120,134	59,644
Security deposit	1,310	-
Accounts payable	25,470	79,895
Bank overdraft	6,199	-
Deferred revenue	29,881	9,673
Due to affiliate	8,250	-
Common stock to be issued	15,000	-
Accrued expenses	18,962	77,500
Net Cash Used in Operating Activities	(198,034 )	(1,016,859)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Restricted cash	35,150	24,850
Collection of subscription receivable	-	90,000
Proceeds from convertible notes	-	48,500
Sale of preferred stock	-	769,000
Due to officer	(24,000 )	
Sale of common stock, net of costs	186,884	39,000
Net Cash Provided by (Used In) Financing Activities	198,034	971,350

**NET DECREASE IN CASH** - (45,509 )

**CASH AT BEGINNING OF PERIOD** - 50,751

**CASH AT END OF PERIOD** \$- \$5,242

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

CASH PAID FOR INTEREST EXPENSE	\$75,000	\$-
CASH PAID FOR INCOME TAXES	\$-	\$-

See accompanying notes to the consolidated financial statements

F-4

---

MEDICAL ALARM CONCEPTS HOLDING, INC.

March 31, 2011 and 2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 - NATURE OF OPERATIONS

On June 4, 2008 Medical Alarm Concepts Holding, Inc. (“Medical Holdings,” “MAC,” or 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 – unaudited interim financial information

The accompanying interim consolidated financial statements for the nine months ended March 31, 2011 and 2010 are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations realized during an interim period are not necessarily indicative of results to be expected for a full fiscal year. These financial statements should be read in conjunction with the information filed as part of the Company’s Annual Report on Form 10-K filed with the SEC on November 10, 2010.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The Company’s significant estimates include the fair value of financial instruments; allowance for doubtful accounts; inventory valuation and obsolescence; the carrying value, recoverability and impairment of long-lived assets, including the values assigned to and the estimated useful lives of property and equipment; revenue recognized or recognizable; sales returns and allowances; income tax provision and allowance for deferred tax assets; and the assumption that the Company will continue as a going concern. Those significant accounting estimates or assumptions bear the risk of change due to the fact that there are uncertainties attached to those estimates or assumptions, and certain estimates or assumptions are difficult to measure or value.

Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

F-5

---

Management regularly reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

#### 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.

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.

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. 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.

The carrying amounts of the Company’s financial assets and liabilities, such as cash, accounts 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 March 31, 2011 and 2010.

The Company’s Level 3 financial liabilities consist of the derivative warrant issued in 2009 for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. The Company valued the re-pricing/down-round provisions using a lattice model, with the assistance of a valuation specialist, for which management understands the methodologies. These models incorporate transaction details such as Company stock price, contractual terms, maturity, risk free rates, as well as assumptions about future financings, volatility, and holder behavior as of the date of issuance and each balance sheet date.

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated.

It is not however, practical to determine the fair value of advances from stockholders due to their related party nature.

#### Fair Value of Financial Assets and Liabilities Measured on a Recurring Basis

The Company uses Level 3 of the fair value hierarchy to measure the fair value of the derivative liabilities and 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.

Financial assets and liabilities measured at fair value on a recurring basis are summarized below and disclosed on the consolidated balance sheets:

	Carrying Value	As of March 31, 2011 Fair Value Measurements Using			Total
		Level 1	Level 2	Level 3	
Derivative Liabilities	\$ 393,380	—	—	\$ 393,380	\$ 393,380
Total Derivative Liabilities	\$ 393,380	—	—	\$ 393,380	\$ 393,380

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 quarter ended March 31, 2011:

	Fair Value Measurements Using Level 3 Inputs	
	Derivative Liabilities	Totals
Beginning Balance as of June 30, 2010	\$ 1,489,055	\$ 1,489,055
Total Gains or Losses (realized/unrealized) Included in Net Loss	(697,429 )	(697,429)
Purchases, Issuances and Settlements	(398,246 )	(398,246)
Transfers in and/or out of Level 3	—	—
Ending Balance at March 31, 2011	\$ 393,380	\$ 393,380

Fair value of non-financial assets or liabilities measured on a recurring basis

The Company identifies potentially excess and slow-moving inventories by evaluating turn rates, inventory levels and other factors. Excess quantities are identified through evaluation of inventory aging, review of inventory turns and historical sales experiences. The Company provides lower of cost or market reserves for such identified excess and slow-moving inventories. The Company establishes a reserve for inventory shrinkage, if any, based on the historical results of physical inventory cycle counts.

Carrying value, recoverability and impairment of long-lived assets

The Company has adopted paragraph 360-10-35-17 of the FASB Accounting Standards Codification for its long-lived assets. The Company's long-lived assets are reviewed 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 over the newly determined remaining estimated useful lives.

The Company considers the following to be some examples of important indicators that may trigger an impairment review: (i) significant under-performance or losses of assets relative to expected historical or projected future operating results; (ii) significant changes in the manner or use of assets or in the Company's overall strategy with respect to the manner or use of the acquired assets or changes in the Company's overall business strategy; (iii) significant negative industry or economic trends; (iv) increased competitive pressures; and (v) regulatory changes. The Company evaluates acquired assets for potential impairment indicators at least annually and more frequently upon the occurrence of such events.

Management periodically reviews the recoverability of the capitalized property and equipment. Management takes into consideration estimates of projected cash flow that deal largely with forecasts of sales levels, gross margins, and operating costs. These forecasts are typically based on historical trends and take into account recent developments as well as management's plans and intentions. Other factors, such as increased competition or a decrease in the desirability of the Company's products, could lead to lower projected sales levels, which would adversely impact cash flows. A significant change in cash flows in the future could result in an impairment of long lived assets.

The impairment charges, if any, is included in operating expenses in the accompanying statements of operations.

#### 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 Company follows paragraph 310-10-50-9 of the FASB Accounting Standards Codification to estimate the allowance for doubtful accounts. The Company performs on-going credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current credit worthiness, as determined by the review of their current credit information; and determines the allowance for doubtful accounts based on historical write-off experience, customer specific facts and economic conditions.

Outstanding account balances are reviewed individually for collectability. 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. Bad debt expense is included in general and administrative expenses, if any. Pursuant to paragraph 310-10-50-2 of the FASB Accounting Standards Codification 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 has adopted paragraph 310-10-50-6 of the FASB Accounting Standards Codification and determine when receivables are past due or delinquent based on how recently payments have been received.

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

#### Inventory

The Company values inventories, 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 reduces inventories for the diminution of value, resulting from product obsolescence, damage or other issues affecting marketability, equal to the difference between the cost of the inventory and its estimated market value. Factors utilized in the determination of estimated market value include (i) current sales data and historical return rates, (ii) estimates of future demand, (iii) competitive pricing pressures, (iv) new product introductions, (v) product expiration dates, and (vi) component and packaging obsolescence.



The Company evaluates its current level of inventories considering historical sales and other factors and, based on this evaluation, classify inventory markdowns in the income statement as a component of cost of goods sold pursuant to Paragraph 420-10-S99 of the FASB Accounting Standards Codification to adjust inventories to net realizable value. These markdowns are estimates, which could vary significantly from actual requirements if future economic conditions, customer demand or competition differ from expectations.

The Company determined that there was no inventory obsolescence as of March 31, 2011 or 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 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.

#### 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 March 31, 2011. 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.

#### Related parties

The Company follows subtopic 850-10 of the FASB Accounting Standards Codification for the identification of related parties and disclosure of related party transactions.

Pursuant to Section 850-10-20 the related parties include a. affiliates of the Company; b. entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of Section 825-10-15, to be accounted for by the equity method by the investing entity; c. trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management; d. principal owners of the Company; e. management of the Company; f. other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests; and g. other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. The disclosures shall include: a. the nature of the relationship(s) involved ; b. a description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements; c. the dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period; and d. amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement.

#### Commitment and contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, and an estimate of the range of possible losses, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed. Management does not believe, based upon information available at this time, that these matters will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. However, there is no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows.

### 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 estimated future tax effects of temporary differences between the tax basis of assets and liabilities are reported in the accompanying consolidated balance sheets, as well as tax credit carry-backs and carry-forwards. The Company periodically reviews the recoverability of deferred tax assets recorded on its consolidated balance sheets and provides valuation allowances as management deems necessary.

Management makes judgments as to the interpretation of the tax laws that might be challenged upon an audit and cause changes to previous estimates of tax liability. In management’s opinion, adequate provisions for income taxes have been made for all years. If actual taxable income by tax jurisdiction varies from estimates, additional allowances or reversals of reserves may be necessary.

#### 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 93,418,750 shares of common stock issuable under warrants, 550,000 shares of common stock issuable under the conversion feature of Preferred Series A shares, 9,950,000 shares of common stock issuable under the conversion feature of Preferred Series B shares and 30,844,304 shares of common stock issuable under the conversion feature of the convertible notes payable for the nine months ended March 31, 2011. These potential dilutive shares of common stock were not included as they were anti-dilutive.

#### 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 May 2011, the FASB issued the FASB Accounting Standards Update No. 2011-04 “Fair Value Measurement” (“ASU 2011-04”). This amendment and guidance are the result of the work by the FASB and the IASB to develop common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards (IFRSs).

This update does not modify the requirements for when fair value measurements apply; rather, they generally represent clarifications on how to measure and disclose fair value under ASC 820, Fair Value Measurement, including the following revisions:

- An entity that holds a group of financial assets and financial liabilities whose market risk (that is, interest rate risk, currency risk, or other price risk) and credit risk are managed on the basis of the entity's net risk exposure may apply an exception to the fair value requirements in ASC 820 if certain criteria are met. The exception allows such financial instruments to be measured on the basis of the reporting entity's net, rather than gross, exposure to those risks.
  - In the absence of a Level 1 input, a reporting entity should apply premiums or discounts when market participants would do so when pricing the asset or liability consistent with the unit of account.
  - Additional disclosures about fair value measurements.

The amendments in this Update are to be applied prospectively and are effective for public entity during interim and annual periods beginning after December 15, 2011.

In June 2011, the FASB issued the FASB Accounting Standards Update No. 2011-05 "Comprehensive Income" ("ASU 2011-05"), which was the result of a joint project with the IASB and amends the guidance in ASC 220, Comprehensive Income, by eliminating the option to present components of other comprehensive income (OCI) in the statement of stockholders' equity. Instead, the new guidance now gives entities the option to present all nonowner changes in stockholders' equity either as a single continuous statement of comprehensive income or as two separate but consecutive statements. Regardless of whether an entity chooses to present comprehensive income in a single continuous statement or in two separate but consecutive statements, the amendments require entities to present all reclassification adjustments from OCI to net income on the face of the statement of comprehensive income.

The amendments in this Update should be applied retrospectively and are effective for public entity for fiscal years, and interim periods within those years, beginning after December 15, 2011.

#### NOTE 3 - GOING CONCERN

As reflected in the accompanying consolidated financial statements, the Company had an accumulated deficit of \$7,254,586 at March 31, 2011, and had loss from operations of \$1,122,831 and net cash used in operating activities of \$198,034 for the nine months then ended.

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 March 31, 2011 and June 30, 2010 consisted of the following:

	Estimated Useful Life (Years)	March 31, 2011	June 30, 2010
Furniture and fixtures	7	\$ 20,000	\$ 20,000
Office equipment	5	11,964	11,964
		31,964	31,964
Less: accumulated depreciation		(14,437)	(10,500)
		\$ 17,527	\$ 21,464

Depreciation expense for the nine months ended March 31, 2011 and 2010 was \$3,937 and \$3,937, respectively.

#### 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 March 31, 2011 and June 30, 2010, consisted of the following:



	Estimated Useful Life (Years)	March 31, 2011	June 30, 2010
Patent	6	\$ 2,500,000	\$ 2,500,000
Less: accumulated amortization		(1,145,831)	(833,331)
		\$ 1,354,169	\$ 1,666,669

Amortization expense for the nine months ended March 31, 2011 and 2010 was \$312,500 and \$312,499, 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 were extended one year and now accrue interest at 10% per annum with a market based variable conversion rate at the lower of 90% of market or \$0.01. The notes require treatment as a derivative liability.

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.

During the quarter ended September 30, 2010, certain note holders converted \$40,375 of convertible notes for 4,037,500 shares of common stock at a conversion price of \$0.01 per share

During the quarter ended March 31, 2011, certain note holders converted \$36,700 of convertible notes for 4,993,196 shares of common stock at a conversion price of \$0.00735 per share and \$50,000 of convertible notes for 11,600,928 shares of common stock at a conversion price of \$0.00431 per share, respectively. The remaining balance of the convertible notes is \$271,675 at March 31, 2011.

#### 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 March 30, 2009, June 15, 2009, July 15, 2009 and December 7, 2009 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 - warrants.

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 March 30, 2009, June 15, 2009, July 15, 2009 and December 7, 2009 warrants. 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 March 31, 2011. 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 March 31, 2011 was estimated by management to be \$393,380.

The foregoing assumptions are 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 8 - DUE FROM OFFICERS

For the nine months ended March 31, 2011, the Company repaid the chief executive officer a net amount of \$24,000. As of March 31, 2011, the outstanding balance is \$-0-.

## 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.

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

For the period ended March 31, 2011, the Company, in response to anti-dilution clauses in agreements issued 14,375,000 preferred B shares to certain shareholders.

For the nine months ended March 31, 2011, certain shareholders converted 39,125,000 shares of Series B Convertible Stock for 39,125,000 shares of common stock.

### Common Stock

On July 5, 2010, the Company sold 200,000 shares of its common stock at \$0.01 per share for \$2,000 in cash.

During the quarter ended September 30, 2010, certain note holders converted \$40,375 of convertible notes at a conversion price of \$0.01 per share for 4,037,500 shares of common stock.

For the quarter ended December 31, 2010, certain shareholders converted 36,375,000 shares of Series B Convertible Stock for 36,375,000 shares of common stock.

During the quarter ended December 31, 2010, certain note holders converted \$36,700 of convertible notes at a conversion price of \$0.00735 per share for 4,993,196 shares of common stock.

On December 15, 2010, the Company entered into private placement agreements for \$30,000 at \$0.01 per unit. Each unit consisted of 1 common share and 1 three year warrant at an exercise price of \$0.01 per share subject to adjustment (3,000,000 common shares and 3,000,000 warrants). The additional paid-in capital was reduced by \$15,103 for the derivative liability.

During the quarter ended December 31, 2010, the Company sold 15,065,500 shares of its common stock at \$0.01 per share for \$150,655 in cash. During the quarter ended December 31, 2010, the Company issued 40,000,000 shares of its common stock at its fair market value of \$0.01 per share or \$400,000 for in services which run through January 2011. The unrecognized balance is included as deferred compensation in additional paid in capital.

During the quarter ended March 31, 2011, certain note holders converted \$50,000 of convertible notes at a conversion price of \$0.00431 per share for 11,600,928 shares of common stock.

On January 15, 2011, the Company entered into private placement agreements for \$40,000 at \$0.005 per unit. Each unit consisted of 1 common share and 1 three year warrant at an exercise price of \$0.005 per share subject to adjustment (8,000,000 common shares and 8,000,000 warrants). The additional paid-in capital was reduced by \$20,668 for the derivative liability.

For the quarter ended March 31, 2011, certain shareholders converted 2,750,000 shares of Series B Convertible Stock for 2,750,000 shares of common stock.

#### Warrants

Stock warrant activities for the period ended March 31, 2011 is summarized as follows:

	Number of shares	Weighted average exercise price
Outstanding at June 30, 2010	65,545,000	\$ 0.01
Granted	49,959,375	-
Exercised	14,085,625	-
Outstanding at March 31, 2011	101,418,875	\$ 0.01

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 and volatility. 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 March 31, 2011 and June 30, 2010 was estimated by management to be \$393,380 and \$1,489,055, respectively.

The foregoing assumptions are 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 11 - RELATED PARTY TRANSACTIONS

The Company previously sublet its office space from an affiliate owned by its officers. Total rent expense for the period ended March 31, 2011 was \$7,500. The related party also paid \$750 in utilities for the period ended March 31, 2011.

#### 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:

##### Issuance of common stock

The Company issued 22,024,668 shares of common stock for the conversion of \$68,750 of convertible notes at a share price of \$0.00312 per share.

The Company converted 2,000,000 shares of Series B Convertible Stock for 2,000,000 shares of common stock.

On April 4, 2011 the Company entered into a joint marketing agreement with YesDTC Holdings, Inc. As part of the marketing agreement and in exchange for the cancellation of certain reimbursements due, the Company agreed to issue YesDTC Holdings, Inc. 21,536,585 shares of common stock.

On June 1, 2011 the Company issued promissory notes to Sonoma Winton, LLC totaling \$6,000 for the Company, a form which is convertible into shares of the Company's common stock at a fixed conversion price equal to the lesser of the fixed conversion price of \$0.0041, or seventy five percent (75%) of the average of the closing bid price of the common stock as reported by Bloomberg LP for the principal market for the 5 trading days preceding the conversion date. These notes were issued as a result of Sonoma Winton, LLC's payments of certain debts owed by the Company. As part of this transaction the Company also issued to the subscriber a warrant to purchase an additional 1,463,414 shares of common stock at \$0.0041.

On June 8, 2011 the Company issued promissory notes to Biotech Development Group, LLC and totaling \$15,000 for the Company, a form which is convertible into shares of the Company's common stock at a fixed conversion price equal to the lesser of the fixed conversion price of \$0.0041, or seventy five percent (75%) of the average of the closing bid price of the common stock as reported by Bloomberg LP for the principal market for the 5 trading days preceding the conversion date. These notes were issued as a result of Biotech Development's payment of certain debt owed by the Company. As part of this transaction the Company also issued to the subscriber a warrant to purchase an additional 3,658,536 shares of common stock at \$0.0041.

On June 8, 2011 the Company issued promissory notes to Emerging Growth Research, LLC totaling \$845.00 for the Company, a form which is convertible into shares of the Company's common stock at a fixed conversion price equal to the lesser of the fixed conversion price of \$0.0041, or seventy five percent (75%) of the average of the closing bid price of the common stock as reported by Bloomberg LP for the principal market for the 5 trading days preceding the conversion date. These notes were issued as a result of Emerging Growth Research's payment of certain debts owed by the Company. As part of this transaction the Company also issued to the subscriber a warrant to purchase an additional 206,097 shares of common stock at \$0.0041.

On June 20, 2011 the Company issued promissory notes to Sonoma Winton, LLC totaling \$2,827.70 for the Company, a form which is convertible into shares of the Company's common stock at a fixed conversion price equal to the lesser of the fixed conversion price of \$0.0041, or seventy five percent (75%) of the average of the closing bid price of the common stock as reported by Bloomberg LP for the principal market for the 5 trading days preceding the conversion date. These notes were issued as a result of Sonoma Winton, LLC's payments of certain debts owed by the Company. As part of this transaction the Company also issued to the subscriber a warrant to purchase an additional 689,682 shares of common stock at \$0.0041.

On July 21, 2011 the Company issued promissory notes to BIOTECH Development Group, LLC and totaling \$2,538.00 for the Company, a form which is convertible into shares of the Company's common stock at a fixed conversion price equal to the lesser of the fixed conversion price of \$0.0041, or seventy five percent (75%) of the average of the closing bid price of the common stock as reported by Bloomberg LP for the principal market for the 5 trading days preceding the conversion date. These notes were issued as a result of Biotech Development's payment of certain debts owed by the Company. As part of this transaction the Company also issued to the subscriber a warrant to purchase an additional 619,024 shares of common stock at \$0.0041.

On July 21, 2011 the Company issued promissory notes to BIOTECH Development Group, LLC and totaling \$4,000.00 for the Company, a form which is convertible into shares of the Company's common stock at a fixed conversion price equal to the lesser of the fixed conversion price of \$0.0041, or seventy five percent (75%) of the average of the closing bid price of the common stock as reported by Bloomberg LP for the principal market for the 5 trading days preceding the conversion date. These notes were issued as a result of Biotech Development's payment of certain debts owed by the Company. As part of this transaction the Company also issued to the subscriber a warrant to purchase an additional 975,609 shares of common stock at \$0.0041.

On July 27, 2011 the Company issued promissory notes to Sonoma Winton, LLC totaling \$3,000 for the Company, a form which is convertible into shares of the Company's common stock at a fixed conversion price equal to the lesser of the fixed conversion price of \$0.0041, or seventy five percent (75%) of the average of the closing bid price of the common stock as reported by Bloomberg LP for the principal market for the 5 trading days preceding the conversion date. These notes were issued as a result of Sonoma Winton, LLC's payments of certain debts owed by the Company. As part of this transaction the Company also issued to the subscriber a warrant to purchase an additional 731,707 shares of common stock at \$0.0041.

On July 27, 2011 the Company issued promissory notes to Usa Pungmuang totaling \$5,000 for the Company, a form which is convertible into shares of the Company's common stock at a fixed conversion price equal to the lesser of the fixed conversion price of \$0.0041, or seventy five percent (75%) of the average of the closing bid price of the common stock as reported by Bloomberg LP for the principal market for the 5 trading days preceding the conversion date. As part of this transaction the Company also issued to the subscriber a warrant to purchase an additional 1,219,512 shares of common stock at \$0.0041.



On August 1, 2011 the Company issued promissory notes to Biotech Development Group, LLC and totaling \$73,500 for the Company, a form which is convertible into shares of the Company's common stock at a fixed conversion price equal to the lesser of the fixed conversion price of \$0.0041, or seventy five percent (75%) of the average of the closing bid price of the common stock as reported by Bloomberg LP for the principal market for the 5 trading days preceding the conversion date. As part of this transaction the Company also issued to the subscriber a warrant to purchase an additional 17,926,829 shares of common stock at \$0.0041.

On August 16, 2011 the Company issued promissory notes to Biotech Development Group, LLC and totaling \$5,000 for the Company, a form which is convertible into shares of the Company's common stock at a fixed conversion price equal to the lesser of the fixed conversion price of \$0.0041, or seventy five percent (75%) of the average of the closing bid price of the common stock as reported by Bloomberg LP for the principal market for the 5 trading days preceding the conversion date. As part of this transaction the Company also issued to the subscriber a warrant to purchase an additional 1,219,512 shares of common stock at \$0.0041.

F-24

---



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section of the Quarterly Report on Form 10-Q 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.

### 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. 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.

Our primary focus is in the sale of our medical devices. We intend to link, install and monitor the medical alarm systems to a pre-designated 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, a highly trained monitoring professional follows a prescribed 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 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 a designated personal contact or simply to 911.

### Results of Operations

For the nine months ended March 31, 2011, we had a gross profit in the amount of \$271,661. Operating expenses for the nine months ended March 31, 2011 totaled \$1,394,492, resulting in a net operating loss of \$1,122,831.

### Capital Resources and Liquidity

As of March 31, 2011, we had \$0 in cash.

We believe we cannot satisfy our cash requirements for the next twelve months with our current cash and, unless we receive additional financing, we may be unable to proceed with our plan of operations. We do not anticipate the purchase or sale of any significant equipment. We also do not expect any significant additions to the number of our employees. The foregoing represents our best estimate of our cash needs based on current planning and business conditions. Additional funds are required, and unless we receive proceeds from financing, we may not be able to proceed with our business plan for the development and marketing of our core services. Should this occur, we will 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 SEC adopted final rules under Section 404 of the Sarbanes-Oxley Act of 2002, as amended by SEC Release No. 33-9072 on October 13, 2009. Commencing with its annual report for the fiscal year ended June 30, 2010, the Company was required to include a report of management on its internal control over financial reporting. The internal control report must include a statement:

- of management’s responsibility for establishing and maintaining adequate internal control over its financial reporting;
- of management’s assessment of the effectiveness of its internal control over financial reporting as of year end; and
- of the framework used by management to evaluate the effectiveness of the Company’s internal control over financial reporting.

Furthermore, the Company is required to file the auditor’s attestation report 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 U.S. GAAP to be launched on July 1, 2009. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. 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 U.S. 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 U.S. GAAP. U.S. 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 U.S. 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.

**Use of Estimates:** In preparing financial statements in conformity with U.S. 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.

#### 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 have cashless exercise provisions, the Company utilizes variable accounting.

Common stock, stock options and common stock warrants issued to 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 nonperformance 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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

#### ITEM 4T. CONTROLS AND PROCEDURES

(a) 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 quarter ended March 31, 2011 pursuant to Rule 13a-15(b) or Rule 15d-15(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Disclosure controls and procedures 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 his evaluation, Mr. Teicher concluded that our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the

SEC's rules.

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.

6

---



(b) Changes in internal control over financial reporting. 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 the above-referenced material weaknesses in our internal control over financial reporting:

- 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.

7

---

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

On or about November 24, 2009, LogicMark filed a lawsuit in U.S. Federal Court for the Eastern District of Virginia against Medical Alarm Concepts Holdings Inc., Medical Alarm Concepts 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.

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

On July 5, 2010, the Company issued 200,000 shares of its common stock at its fair market value of \$0.01 per share or \$2,000 in cash. The sale of the shares of common stock was made in reliance upon the exemption from securities registration afforded by Section 4(2) of the Securities Act of 1933, as amended.

During the quarter ended December 31, 2010, the Company issued 18,065,500 shares of its common stock at its fair market value of \$0.01 per share or \$180,655 in cash. The sale of the shares of common stock was made in reliance upon the exemption from securities registration afforded by Section 4(2) of the Securities Act of 1933, as amended.

During the quarter ended March 31, 2011, the Company issued 8,000,000 shares of its common stock at its fair market value of \$0.005 per share or \$40,000 in cash. The sale of the shares of common stock was made in reliance upon the exemption from securities registration afforded by Section 4(2) of the Securities Act of 1933, as amended.

Item 6. Exhibits.

(a) Exhibits

31.1 Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002

31.2 Certifications pursuant to Section 302 of Sarbanes Oxley Act of 2002

32.1 Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002

32.2 Certifications pursuant to Section 906 of Sarbanes Oxley Act of 2002

9

---

SIGNATURES

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

MEDICAL ALARM CONCEPTS HOLDING, INC.

Date: August 26, 2011

By: /s/ Howard Teicher  
Howard Teicher  
Chief Executive Officer

By: /s/ Ronnie Adams  
Ronnie Adams  
Chief Financial Officer