

MEDICAL ALARM CONCEPTS HOLDINGS INC  
Form 10-K/A  
May 01, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**Form 10-K/A**

**Amendment No. 2**

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ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended June 30, 2014

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number 333-153290**

**MEDICAL ALARM CONCEPTS HOLDING, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**26-3534190**

(I.R.S. Employer Identification No.)

**200 W. Church Road**

**Suite B**

**King of Prussia , PA 19406**

(Address of principal executive offices)

**(877) 639-2929**

(Registrant's telephone number, including area code)

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|   |  |
|---|--|
| Securities registered pursuant to Section 12(b) of the Act: | Securities registered pursuant to Section 12(g) of the Act:<br>(Title of Each Class) |
| <b>None</b>   | <b>None</b>  |

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

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

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

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

Indicate by check mark if disclosure of delinquent filers in response 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  Accelerated filer   
Non-accelerated filer  Smaller reporting company

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

The aggregate market value of voting and non-voting common stock held by non-affiliates of the registrant, based upon the closing bid quotation for the registrant's common stock, as reported on the OTC Bulletin Board quotation service, as of December 31, 2013, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$3,832,919.

As of October 27, 2014, the registrant had 5,628,679 shares of common stock issued and outstanding, respectively.

**Annual Report on Form 10-K**

For the Fiscal Year Ended June 30, 2014

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## **EXPLANATORY NOTE**

This Second Amendment to Form 10-K (the “Form 10-K/A-2”) is being filed by Medical Alarm Concepts Holdings, Inc. (the “Company”) in response to comments made by the staff of the Securities and Exchange Commission (“SEC”) by letter dated April 20, 2015 on the presentation in the Company in its original annual report on Form 10-K for the fiscal year ended June 30, 2014 filed with the SEC on November 3, 2014, and as subsequently amended on April 10, 2015. Except as necessary to respond to the SEC staff comments, the Company has not modified or updated disclosures presented in the original annual report on Form 10-K, as subsequently amended on April 10, 2015. Accordingly, this Form 10-K/A-2 does not reflect events occurring after the filing of our original Form 10-K or modify or update those disclosures affected by subsequent events, except as specifically referenced herein. Accordingly, this Form 10-K/A-2 should be read in conjunction with our periodic filings made with the SEC subsequent to the date of the original filing, including any amendments to those filings, as well as any Current Reports filed on Form 8-K subsequent to the date of the original filing.

### **Part I**

#### **Special Note Regarding Forward-Looking Statements**

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

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

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

## **ITEM 1. Business**

### **General**

Medical Alarm Concepts Holding, Inc. (the “Company” or “Medical Alarm”) was formed in June 2008 and, on June 24, 2008 we acquired 100% of the membership interests in Medical Alarm Concepts, LLC, a Delaware limited liability corporation. The operation was financed with a considerable amount of toxic convertible debt. This type of financing, along with several other issues, prevented the Company from realizing a robust growth rate for its first few years of operation. Since that time, considerable management time has been spent and investor money utilized to turn the Company's operation around. As of the date of this filing, the Company is currently experiencing a robust growth rate, quality relationships with quality customers, and a significantly improved balance sheet.

The Company's flagship product is called the MediPendant®, which is a personal emergency alarm, often referred to in the industry as a Personal Emergency Response System (PERS), which is used to summon help in the event of an emergency at home. While it is primarily a device for older people, there is also a market for those who are physically disabled, as well as for persons living alone. The MediPendant® device has significant feature and function advantages over other personal medical alarms in the marketplace today. Approximately 70% of all medical alarms currently being sold in the United States are first-generation technologies that require the user to speak and listen through a

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central base station unit. If the user of one of these older generation products is not within speaking or listening distance to the base station, the user may not be heard by the operator in the centralized emergency monitoring center. The MediPendant® enables the wearer to simply speak and listen directly through the pendant in the event of an emergency. The MediPendant® is designed to be worn in the bath or shower and offers a 600-foot range, so that the wearer can operate the unit from virtually anywhere within their home or on their property. The product is extremely durable, very reliable, and offers an extremely long battery life. The MediPendant® has strong intellectual property patent protection. The patent protects a unique feature of the product, which is voice prompts that alert the user of the operational status of the device. This gives the user some peace of mind during an emergency because they know with certainty that their distress signal has been activated and help is being summoned.

During December of 2011, the Company announced that the MediPendant® would be distributed by Costco Wholesale Corporation. Costco is one of the largest retailers in not only the United States, but throughout the world with approximately 75,000,000 customers. The Company's relationship with this retailer has been strong, sales are occurring on a daily basis, and customer satisfaction is high. The Company successfully runs sales programs at Costco including email blasts, Costco coupons, inserts in Costco Magazines, and assorted other promotions. The MediPendant® product will continue to be included in Costco promotions. The MediPendant® has received 28 product reviews on the retailer's website, 21 of which are "5 out of 5 Star" ratings. The average rating is "4.5 Stars" out of 5 Stars.

The Company has a relationship with APS Healthcare Bethesda Inc. Under the terms of the contract, the MediPendant® will be offered to qualified individuals, based on certain criteria, at little or no cost to the individual. The health insurance company is responsible for the monthly monitoring fee as well as the cost of the equipment. These programs are not only an added benefit and security measure for qualifying individuals living alone with medical issues, but also as a cost-saving method for health insurance companies, by helping to avoid unnecessary ambulance and emergency room visits. We expect to expand this program to other health insurance companies throughout the country during 2015.

The Company has also had successes internationally with distribution agreements and relationships in Denmark, Ireland, Canada, and Bermuda. Medical Alarm Concepts is expecting steady growth from its international markets in 2015 and is currently working on an agreement in Dubai that would create a pilot program to supply medical monitoring with the MediPendant in the Arabic language.

The Company also distributes the MediPendant® through Internet marketing via SEO (search engine optimization), online advertising, social media, and relationships with other websites that have synergistic products and customer demographics. We work with several online dealers who promote and sell the MediPendant® on their own websites and through their own online marketing channels.

We also have relationships with outside call centers/monitoring centers whose customer base and marketing efforts are similar to ours. We have a variety of marketing agreements with these call centers to promote the MediPendant® to new and existing customers.

Significant investment is planned to expand sales opportunities relative to the above areas.

## **Recent Events**

The Company has spent significant time and money over the past year in an effort to update its financial statements and reporting process. We have made a total of 16 filings within the past 12 months, and we are now current and a fully reporting publicly traded OTC company.

During the last year, seeing that we could create a profitable operation, the Company began to plan for the future. The stock issued as a result of the Global Settlement Agreement

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described elsewhere in this prospectus, which was designed to eliminate the Company's toxic debt, increased the SG&A expenses for the year ending June 30, 2014. This was as a direct result of the costs associated with the stock awarded as part of the Global Settlement Agreement. This was a one-time event, and the associated expenses will not appear in upcoming financials. The derivative liabilities and the underlying warrants that have been part of our financial statements for the past few years are no longer a part of the Company and its capital structure. All have been retired as a result of the Global Settlement Agreement.

The working capital decrease from 2013 in our filings has not changed significantly over the past year, and the stockholders deficit has remained fairly constant as well. The Company feels that increased sales resulting from its new product launch, and its plans on raising money during 2015, will help improve its stockholders deficit. However, there is no assurance that the company will be able to raise capital successfully.

The Company expects the balance of calendar year 2015 and 2016 to be one of continued growth when taking into account the combined effect of both monthly recurring revenues and distribution sales, which will allow the Company to realize sustainable positive operating cash flow. In general, monthly recurring revenues have been growing steadily. Distribution sales (sales of equipment only) in both 2013 & 2014 represented about 30% of total revenue. However, because of our new product (iHelp Mobile Medical Alert System) and its dealer program we are working on, we believe that growth will continue in both monthly revenues and distribution sales and that this growth would be based on the new iHelp Alert system and remain sustainable into the future.

The company recently announced the launch of a new, advanced medical alarm device called the iHelp™. The iHelp™ is an advanced mobile medical alert system, designed to be easy to use, lightweight yet durable, but with significantly advanced features. The company has invested time, manpower, and money into the development and launch of this product. On September 30, 2014 the company signed an agreement for a \$300,000 line of credit to enable it to launch iHelp™ and to build the infrastructure that will allow us to buy and track air time from AT&T and T-Mobile for cellular operation of this unit. The iHelp™ has enhanced features and functions including an advanced GPS system, the ability to remotely locate a loved one, patented voice prompts, and a dealer portal that enables dealers to manage their own iHelp customer base. A significant amount of time was spent on the back end systems, including the dealer portal. iHelp™ dealers will have significant benefits, most importantly the ease of use in ordering product, activating and deactivating customers, tracking their customer usage, and creating and printing a variety of reports to assist in billing and collecting revenues. The iHelp™ dealer program is a turn-key program that offers the dealer the opportunity to provide his/her customers with the latest products without having to change his/her own back end. The company has already had a significant amount of interest in the iHelp™ product and anticipates that the iHelp™ will increase its revenues substantially, and enable it to show continued growth in both revenues, gross margins, and cash flow.

The company has also begun its search to acquire synergistic company(s), in an effort to expand the business in other areas of the healthcare-related industry. We believe that adding company acquisitions to our business plan in 2015 will help us with our strategy to build a strong company with long term goals, and enable us to increase our market share in this vastly growing market.

The company generates sales mainly through recurring revenues generated by monitoring fees paid by the users of our medical alert systems, equipment sales which are generated by those "dealers" that would like to resell our products to users, and through recurring revenues generated by those dealers who will resell our new mobile alert system (iHelpAlarm) air time that we purchase through Kore, a reseller of air time (AT & T and T-Mobile). Our customers



pay us a monthly subscription fee (recurring) in exchange for providing them a service. This creates an initial negative cash flow because the company also needs to supply equipment (a medical alert system) for the customer to be able to use their services. When the customer pushes the emergency button on the unit's transmitter, an operator at a monitoring center that we subcontract this service to will respond and ask if they need help. Most companies, except possibly for the very largest, in the PERS (Personal Emergency Response System) industry also

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subcontract this work out because it is often less expensive, the costs are fixed, and they do not have enough customers to take advantage of scaling this cost. We use three different monitoring centers. We pay a fixed cost for this monitoring (approximately \$4 per customer), and pass this on to our “user” for approximately \$30 per customer. The gross margin helps pay for the cost of the medical alert system equipment, the cost for the monitoring, customer service, warranty replacements, and billing functions. We will either dispatch help, patch the call to a loved one, or answer any questions they may have. The ability to contract this monitoring service has allowed the company to have an exact fee that we are charged for this service, and to create relationships with people in the industry (the monitoring centers) that help us sell our product. With the new arrival of the iHelpAlarm system we will be increasing our equipment sales as this will be a “dealer” program. This unit will be mainly sold directly to dealers and/or monitoring centers who will resell the product and its services directly to users. Additionally, each iHelpAlarm system requires a SIM card for ongoing telecommunications. The Company will continue to charge the dealer a monthly fee for the ongoing telecommunications charges, and this monthly rate will create a profit for the company on an ongoing monthly basis as long as the unit stays activated.

The Company recently announced the acquisition of 51% of Medical Sales Group, LLC (MSG). MSG is owned equally by three individuals, one of which is Ronald Adams, the CEO of Medical Alarm Concepts. MSG was formed primarily to acquire PERS and mPERS accounts in bulk, from dealers that want to quickly capitalize on their account base. MSG has done several acquisitions and continues to seek out additional dealers interested in selling their existing accounts. MSG is also seeking to acquire synergistic company(s), in an effort to expand the business in other areas as well. The Company plans to accomplish this by either raising money through an offering, doing acquisitions with stock, or through a combination of both methods. An agreement is in place, but the acquisition will not be completed until an ongoing audit necessary to comply with regulatory requirements is finished.

**Market Background**

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

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

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

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medical conditions, in case of an age or health related incident that requires immediate attention, but in which the victim is unable to reach out for assistance via traditional means, including the ability to make a telephone call.

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

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

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

These attributes of the MediPendant® mark an important distinction relative to the competition and make the Company's solution unique in the industry and highly desirable to end users who want to be able to move more broadly about their living quarters with increased freedom and comfort. Additionally, the Company has recently released a new, technologically advanced medical alarm product to the market. The device is called the iHelp and falls under a brand new market know as mobile PERS or mPERS. mPERS incorporates both GSM and GPS services to connect the user directly to the monitoring center, and trace their exact location. It may be used anywhere cellular services is available. According to Frost & Sullivan Research, decreasing cell transmission costs, similar monthly contract cost structure to standard PERS, and convenience from mixed wi-fi (in-home) and cell reception (out-of-home) capability, mPERS is expected to gain significant traction to become the preferred single point emergency deployment technology for new sales. Mobile PERS will also gradually subsume standard home-based PERS sales through pricing that encourages product switch from traditional PERS. The total PERS market is expected to see growth from \$1.08 billion in 2013 to \$1.46 billion in 2017.

The Company is confident that the introduction of their mPERS product to the marketplace will increase its revenues substantially, and enable it to show continued growth in both revenues, gross margins, and cash flow.

### **Market Opportunity**

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

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

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

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

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

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

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

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

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

### **Sales and Marketing**

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

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Internet Sales & Marketing - the Company markets the MediPendant® through its website at www.MediPendant.com and ihelpalarm.com. Sales take place over the phone with one of our customer service representatives or via an online order form. The company uses a variety of techniques, such as Internet paid ad campaigns, in order to drive web traffic to the website, and initiate potential customer sales calls. We also do online advertising and have several relationships with other websites/online companies that have synergistic products and customer demographics. The Company also distributes the MediPendant® via SEO (search engine optimization) and social media. We work with several online dealers who promote and sell the MediPendant® on their own websites and through their own online marketing channels.

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

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

International Markets – The Company distributes its products in a wholesale manner to selected international markets. To date, the company has signed marketing relationships with partners in Denmark, Ireland, Canada and Bermuda.

Television Sales – In November 2014 the Company purchased time slots for a 2-minute commercial that airs on Cablevision in the New York and Connecticut area. The commercial aired a total of 200 times over the course of 30 days with the option of purchasing additional spots.

Dealer Program – The Company will distribute its new product, the iHelp™ Mobile Medical Alarm System through various dealer networks. . 1000 iHelp™ kits have been received and are being resold to various dealers. 4000 additional units are planned to be received by the end of the second quarter of 2015. The iHelp™ dealer program is a comprehensive, turn-key program that enables the dealer to offer to new or existing customers, the advanced technology, value-based, and feature rich service of the iHelp™ mobile medical alarm. Our dealers have the ability to maintain direct control of their monitoring functions while also taking advantage of the proven monthly recurring revenue business model.

**Competition**



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

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

Mobile Medical Alerts have recently been introduced to the market. They are designed for the younger and more active person with medical issues and also the active elderly adult. However, they need to be charged on a daily basis,

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they cannot get wet, the location based system they use to find the user is not very precise, and there are dead zones or no service issues as well

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

Mobile Medical Alerts have recently been introduced to the market. They are designed for the younger and more active person with medical issues and also the active elderly adult. These devices known as mobile PERS or mPERS incorporate both GSM and GPS services to connect the user directly to the monitoring center, and trace their exact location respectively. It is the next generation in PERS devices. According to Frost & Sullivan Research, decreasing cell transmission costs, similar monthly contract cost structure to standard PERS, and convenience from mixed wifi (in-home) and cell reception (out-of-home) capability, mPERS is expected to gain significant traction to become the preferred single point emergency deployment technology for new sales. Mobile PERS will also gradually subsume standard home-based PERS sales through pricing that encourages product switch from traditional PERS.

## **Patents**

On July 10, 2008, the Company entered into a Purchase Agreement and Patent Assignment Agreement (the "Agreement") effective July 31, 2008. The Company was obligated to pay the seller \$2,500,000 on June 30, 2012. The Agreement specifies interest of 6% payable monthly, commencing on July 31, 2008. The seller had the right to reacquire all patents and applications if payment was not made on June 30, 2012; however, this agreement has been extended quarterly since June 30, 2012 and is current now through March 31, 2015. The patent purchase agreement refers to patent #RE41845 and RE41392. The scope of the patents are as follows: A personal emergency communication system includes a user-carried portable communication unit having a single button, which when depressed by the user, wirelessly sends a call request signal to a base unit. The base unit initiates a telephone call through a dial-up network to an emergency response center and places an operator at the emergency center responder in wireless voice communication with the portable unit when the call is connected. The telephone number to be called can be stored in at least one of the portable unit and the base unit. A speech synthesizer operating in combination with automated voice messages stored in at least one of the base unit and portable unit system memory are used to advise the user of the status of the call, and to provide the user with verbal confirmation that functional systems of the base unit are operating properly.

## **Manufacturing and Suppliers**

The Company has one supplier located in China that has been manufacturing the MediPendant® since its inception. Relations with the supplier are good and the performance of products purchased from the supplier has been very

reliable. The supplier maintains long lead time items in its factory in order to expedite deliveries of the product to the Company. Products are purchased in US dollars and the price has increased by approximately 20% over the seven year period since the relationship began. We have added another supplier, also located in China, to manufacture our mobile PERS system, the iHelp™. Both of these products needed to go through government mandated testing to comply with FCC regulations, and are also CE Certified, a standard of performance.

## **Research and Development**

Over the last 2 years, the Company has explored various products and services that are synergistic with the existing business. These include new technologies available in the medical alarm market. Costs for research and development for these new technologies include costs for engineering, testing, trials, and reverse engineering of existing products. The costs incurred by the Company have been expensed and aggregate approximately \$75,000 and \$25,000 respectively for years 2014 and 2013.

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## **Environmental Matters**

Our operations are not subject to environmental laws and regulations enforceable by national, state, and local authorities, including those pertaining to air emissions, wastewater discharges, toxic substances, and the handling and disposal of solid and hazardous wastes

## **Government Regulations**

We are subject to various federal, state, and local government regulations in the jurisdictions in which we operate. Products that we import into the U.S. are subject to laws and regulations imposed in conjunction with such importation, including those issued and/or enforced by U.S. Customs and Border Protection. We work closely with our suppliers to ensure compliance with the applicable laws and regulations in these areas.

Our MediPendant® device and our iHelp™ device comply with the limits for a Class B digital device, pursuant to Part 15 of the FCC Rules. These limits are designed to provide reasonable protection against harmful interference in a residential installation. Operation is subject to these conditions: 1. this device may not cause harmful interference, and 2. this device must accept any interference received, including interference that may cause undesired operation. Our products must go through government mandated testing to comply with the aforementioned FCC regulations, and are also CE Certified, a standard of performance.

## **Backlog**

The Company does not work on a backlog. Orders are shipped the same day they are placed.

## **Seasonality**

Our sales are not materially impacted by seasonality and we generally maintain sufficient inventories of our products to respond promptly to customer orders.

## **Raw Materials**

Raw materials used in the manufacturing of the MediPendant®, and now the iHelp™, are subject to pricing fluctuations due to availability on terms and pricing acceptable to the Company. Prices during the past 7 years have increased a total of approximately 20%.

## **Employees**

As of March 31, 2015, we had 15 employees, of whom 7 were full-time, 5 were part-time, and 3 were sub-contractors. Of these employees, 3 work in corporate, 3 work in back-office administration or similar functions, 7 work in sales and 2 work in distribution and manufacturing. Of these employees, there are 2 in management, 5 in telephone sales (inbound), 1 in shipping, 2 in customer service, 1 in collections, 1 in marketing, and 3 in engineering/programming. Some of these employees are new and have been hired due to the anticipated increase in business due to the new product, new programs, and expansion of the company. None of our employees is represented by a labor or trade union and we believe that we have good relations with our employees.

## **ITEM 1A. Risk Factors**

Not applicable.

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**ITEM 1B. Unresolved Staff Comments**

None.

**ITEM 2. Properties**

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

**ITEM 3. Legal Proceedings**

There are no legal claims currently pending or threatened against us that in the opinion of our management would be likely to have a material adverse effect on our financial position, results of operations or cash flows. We expect that litigation may arise in future periods, the materiality of which cannot be predicted. Regardless of the outcome, litigation can have a material adverse impact on our operations because of defense and settlement costs, diversion of resources and other factors that could affect our ability to operate our business.

**ITEM 4. Mine Safety Disclosures**

Not applicable.

**Part II**

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

**Market Information**

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

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

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

| Fiscal Year 2013 | High   | Low    |
|------------------|--------|--------|
| First Quarter    | \$2.8  | \$1.6  |
| Second Quarter   | \$1.68 | \$1.12 |
| Third Quarter    | \$1.76 | \$1.12 |
| Fourth Quarter   | \$1.28 | \$0.64 |

| Fiscal Year 2014 | High   | Low    |
|------------------|--------|--------|
| First Quarter    | \$1.76 | \$1.12 |
| Second Quarter   | \$1.28 | \$0.64 |
| Third Quarter    | \$1.12 | \$0.15 |
| Fourth Quarter   | \$0.52 | \$0.22 |

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\* Price Not available for Period

## **Holders**

As of October 28, 2014, there were approximately 207 shareholders of record of our common shares.

## **Dividend Policy**

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

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

## **Equity Compensation Plan Information**

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

## **Description of Securities**

Our amended Articles of Incorporation (the "Articles") authorizes the issuance of 20,162,500 shares, consisting of 20,000,000 shares of common stock, \$0.0001 par value per share, 100,000 shares of Series A Convertible Preferred Stock, \$0.0001 par value, and 62,500 shares of Series B Convertible Preferred Stock, \$0.0001 par value.

The Articles provide that the common stock will have identical rights, powers, preferences and privileges. Except as otherwise required by law or as otherwise provided in any certificate of designation for any series of preferred stock, the holders of common stock possess all voting power for the election of our directors and all other matters requiring stockholder action. Holders of common stock are entitled to one vote per share on matters to be voted on by stockholders. Holders of common stock will be entitled to receive such dividends, if any, as may be declared from



time to time by our Board of Directors in its discretion out of funds legally available therefor. In no event will any stock dividends or stock splits or combinations of stock be declared or made on common stock unless the shares of common stock at the time outstanding are treated equally and identically. In the event of our voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up, the holders of the common stock will be entitled to receive an equal amount per share of all of our assets of whatever kind available for distribution to stockholders, after the rights of the holders of the preferred stock have been satisfied. Our stockholders have no preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to our common stock.

Shares of Preferred Stock may be issued from time to time in one or more series, each of which shall have such distinctive designation or title as shall be determined by our Board of Directors (“Board of Directors”) prior to the issuance of any shares thereof. Preferred Stock shall have such voting powers, full or limited, or no voting powers, and such preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated in such resolution or resolutions providing for the issue of such class or series of Preferred Stock as may be adopted from time to time by the Board of Directors prior to the issuance of any shares thereof. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all the then outstanding shares of our capital stock entitled to vote generally in the election of the directors, voting together as a single class, without a separate vote of the holders of the Preferred Stock, or any series thereof, unless a vote of any such holders is required pursuant to any Preferred Stock Designation.

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As noted above, two series of Preferred Stock are currently authorized and designated: 100,000 shares of Series A Convertible Preferred Stock, \$0.0001 par value, and 62,500 shares of Series B Convertible Preferred Stock, \$0.0001 par value. 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 one 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. 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 one 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.

#### **ITEM 6. Selected Financial Data**

Not applicable.

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

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

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

#### ***Special Note Regarding Smaller Reporting Company Status***

We are considered a "smaller reporting company" under applicable regulations of the SEC and are therefore eligible for relief from certain disclosure requirements. In accordance with such provisions, we have elected to provide our audited consolidated statements of operations and comprehensive (loss), cash flows and changes in stockholders' equity for two, rather than three, years. As a result, we provided a discussion of changes in results of operations and cash flows for two, rather than three, years in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

#### **Overview and Recent Events**

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

The Company's flagship product is called the MediPendant®, which is a personal emergency alarm that is used to summon help in the event of an emergency at home. While it is primarily a device for older people, there is also a market for those who are physically disabled, as well as for persons living alone. The MediPendant® device has

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significant feature and function advantages over other personal medical alarms in the marketplace today. Approximately 70% of all medical alarms currently being sold in the United States are first-generation technologies that require the user to speak and listen through a central base station unit. If the user of one of these older generation products is not within speaking or listening distance to the base station, the user may not be heard by the operator in the centralized emergency monitoring center. The MediPendant® enables the wearer to simply speak and listen directly through the pendant in the event of an emergency. The MediPendant® is designed to be worn in the bath or shower and offers a 600-foot range, so that the wearer can operate the unit from virtually anywhere within their home or on their property. The product is extremely durable, very reliable, and offers an extremely long battery life. The MediPendant® has strong intellectual property patent protection. The patent protects a unique feature of the product, which is voice prompts that alert the user of the operational status of the device. This gives the user some peace of mind during an emergency because they know with certainty that their distress signal has been activated and help is being summoned.

During December of 2011, the Company announced that the MediPendant® would be distributed by Costco Wholesale Corporation. Costco is one of the largest retailers in not only the United States, but throughout the world with approximately 75,000,000 customers. The Company's relationship with this retailer has been strong, sales are occurring on a daily basis, and customer satisfaction is high. The Company successfully runs sales programs at Costco including email blasts, Costco coupons, inserts in Costco Magazines, and assorted other promotions. The MediPendant® product will continue to be included in Costco promotions. The MediPendant® has received 28 product reviews on the retailer's website, 21 of which are "5 out of 5 Star" ratings. The average rating is "4.5 Stars" out of 5 Stars.

The Company has a relationship with APS Healthcare Bethesda Inc. Under the terms of the contract, the MediPendant® will be offered to qualified individuals, based on certain criteria, at little or no cost to the individual. The health insurance company is responsible for the monthly monitoring fee as well as the cost of the equipment. These programs are not only an added benefit and security measure for qualifying individuals living alone with medical issues, but also as a cost-saving method for health insurance companies, by helping to avoid unnecessary ambulance and emergency room visits. We expect to expand this program to other health insurance companies throughout the country during 2015.

The Company has also had successes internationally with distribution agreements and relationships in Denmark, Ireland, Canada, and Bermuda. Medical Alarm Concepts is expecting steady growth from its international markets in 2015 and is currently working on an agreement in Dubai that would create a pilot program to supply medical monitoring with the MediPendant in the Arabic language.

The Company also distributes the MediPendant® through Internet marketing via SEO (search engine optimization), online advertising, social media, and relationships with other websites that have synergistic products and customer demographics. We work with several online dealers who promote and sell the MediPendant® on their own websites and through their own online marketing channels.

We also have relationships with outside call centers/monitoring centers whose customer base and marketing efforts are similar to ours. We have a variety of marketing agreements with these call centers to promote the MediPendant® to new and existing customers.

Significant investment is planned to expand sales opportunities relative to the above areas.

The Company expects the balance of calendar year 2015 and 2016 to be one of continued growth when taking into account the combined effect of both monthly recurring revenues and distribution sales, which will allow the Company to realize sustainable positive operating cash flow. In general, monthly recurring revenues have been growing steadily and while the company has not seen substantial sales growth this was because distribution sales (sales of

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equipment only) declined while recurring revenues increased. However, because of our new product (iHelp Mobile Medical Alert System) and its dealer program we are working on, we believe that growth will continue in both monthly revenues and distribution sales and that this growth would be based on the new iHelp Alert system and remain sustainable into the future.

The company recently announced the launch of a new, advanced medical alarm device called the iHelp™. The iHelp™ is an advanced mobile medical alert system, designed to be easy to use, lightweight yet durable, but with significantly advanced features. The company has invested time, manpower, and money into the development and launch of this product. On September 30, 2014 the company signed an agreement for a \$300,000 line of credit to enable it to launch iHelp™ and to build the infrastructure that will allow us to buy and track air time from AT&T and T-Mobile for cellular operation of this unit. The iHelp™ has enhanced features and functions including an advanced GPS system, the ability to remotely locate a loved one, patented voice prompts, and a dealer portal that enables dealers to manage their own iHelp customer base. A significant amount of time was spent on the back end systems, including the dealer portal. iHelp™ dealers will have significant benefits, most importantly the ease of use in ordering product, activating and deactivating customers, tracking their customer usage, and creating and printing a variety of reports to assist in billing and collecting revenues. The iHelp™ dealer program is a turn-key program that offers the dealer the opportunity to provide his/her customers with the latest products without having to change his/her own back end. The company has already had a significant amount of interest in the iHelp™ product and anticipates that the iHelp™ will increase its revenues substantially, and enable it to show continued growth in both revenues, gross margins, and cash flow.

The company generates sales mainly through recurring revenues generated by monitoring fees paid by the users of our medical alert systems, equipment sales which are generated by those “dealers” that would like to resell our products to users, and through recurring revenues generated by those dealers who will resell our new mobile alert system (iHelpAlarm) air time that we purchase through Kore, a reseller of air time (AT & T and T-Mobile). Our customers pay us a monthly subscription fee (recurring) in exchange for providing them a service. This creates an initial negative cash flow because the company also needs to supply equipment (a medical alert system) for the customer to be able to use their services. When the customer pushes the emergency button on the unit’s transmitter, an operator at a monitoring center that we subcontract this service to will respond and ask if they need help. Most companies, except possibly for the very largest, in the PERS (Personal Emergency Response System) industry also subcontract this work out because it is often less expensive, the costs are fixed, and they do not have enough customers to take advantage of scaling this cost. We use three different monitoring centers. We pay a fixed cost for this monitoring (approximately \$4 per customer), and pass this on to our “user” for approximately \$30 per customer. The gross margin helps pay for the cost of the medical alert system equipment, the cost for the monitoring, customer service, warranty replacements, and billing functions. We will either dispatch help, patch the call to a loved one, or answer any questions they may have. The ability to contract this monitoring service has allowed the company to have an exact fee that we are charged for this service, and to create relationships with people in the industry (the monitoring centers) that help us sell our product. With the new arrival of the iHelpAlarm system we will be increasing our equipment sales as this will be a “dealer” program. This unit will be mainly sold directly to dealers and/or monitoring centers who will resell the product and its services directly to users. Additionally, each iHelpAlarm system requires a SIM card for ongoing telecommunications. The Company will continue to charge the dealer a monthly fee for the ongoing telecommunications charges, and this monthly rate will create a profit for the company on an ongoing monthly basis as long as the unit stays activated.

The company has also begun its search to acquire synergistic company(s), in an effort to expand the business in other areas of the healthcare-related industry. We believe that adding company acquisitions to our business plan in 2015 will help us with our strategy to build a strong company with long term goals, and enable us to increase our market share in this vastly growing market.

In keeping with that strategy, the Company recently announced the acquisition of 51% of Medical Sales Group, LLC

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(MSG). MSG was formed primarily to acquire PERS and mPERS accounts in bulk, from dealers that want to quickly capitalize on their account base. MSG has done several acquisitions and continues to seek out additional dealers interested in selling their existing accounts. MSG is also seeking to acquire synergistic company(s), in an effort to expand the business in other areas as well. The Company plans to accomplish this by either raising money through an offering, doing acquisitions with stock, or through a combination of both methods. The acquisition will not be completed until an ongoing audit necessary to comply with regulatory requirements is finished.

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

On December 10, 2013, the Company entered into a Global Settlement Agreement (the “Agreement”) with the holder of its credit line and major shareholders. Under the terms of the agreement, all of the Company’s credit line and accrued interests on credit line were forgiven and all of the convertible debt would be converted to common shares, except for the balance of \$25,908. On November 2, 2014, the holder of the convertible note informed the Company that the holder of the convertible debt would no longer seek repayment of the outstanding \$25,908.

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

We believe upcoming balance sheets, on which we expect to be free of nearly all long-term debt and free of warrants, options and minimal outstanding preferred stock, will more accurately reflect the true value of our growing company.

The Company expects calendar year 2015 to show continued growth in both monthly recurring revenues and distribution sales, which will allow the Company to realize sustainable positive operating cash flow. We believe the growth rate we are currently realizing is sustainable into 2015 and beyond.

**Going Concern**



These consolidated financial statements are presented on the basis that we will continue as a going concern. The going concern concept contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

As the accompanying consolidated financial statements, the Company has working capital deficit of \$3,135,937, did not generate cash from its operations, had stockholders' deficit of \$2,036,440 and had operating losses for past two years. These circumstances, among others, raise substantial doubt about the Company's ability to continue as a going concern.

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.

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

**Results of Operations**

**Net Sales**

Net sales generated during the years ended June 30, 2014 and 2013 were \$1,153,693 and \$572,712, respectively; representing a 101% or \$580,981 increase, resulting from a change in strategic business direction toward more widespread product distribution and away from reliance on only a few resellers and distributors. This Company believes this change in business direction will lead to stronger growth and margins and higher overall sales during future periods. During 2014 and 2013, net sales were generated from sales to distributors, resellers and from direct sales to consumers who pay the Company for monthly monitoring services.

**Cost of Revenue**

Cost of revenue incurred during years ended June 30, 2014 and 2013 were \$324,503 and \$441,788, respectively, representing a 27% or \$117,285 decrease. The decrease of cost of sales was mainly due to the Company changed its strategic business direction and generated more revenue from providing monitoring services to customers. Revenue from monitoring services normally generate higher gross profit.

**Gross Profit**

Gross profit generated during fiscal 2014 and 2013 was \$829,190 and \$130,924, representing a 533% or \$698,266 increase. The gross profit margin for 2014 and 2013 was 72% and 23%, respectively. The increase in gross profit margin was mainly due to more revenue generated from monitoring services which has higher gross profit margin.

**Selling Expenses**

Selling expenses incurred during fiscal 2014 and 2013 was \$212,133 and \$244,162, respectively. The \$32,029 was a 13% decrease compared to the previous period. During fiscal 2014, the Company began to shift its sales emphasis more toward consumer marketing, which contributed to the reduction in sales expenses.

### **General and Administrative**

General and administrative expenses for fiscal 2014 and 2013 were \$1,695,423 and \$628,273, respectively; representing 170% or \$1,067,150 increase. During the year ended June 30, 2014, the Company issued 1,493,669 shares of common stocks to management pursuant to Global Settlement Agreement and recorded stock compensation expense of \$ 955,948. The Company also issued 50,000 shares of common stocks to a shareholder for consulting services, during the year ended June 30, 2014, which was valued at \$38,500. During the year ended June 30, 2013, stock compensation expense was \$28,267.

### **Change in Fair Value of Derivative Instrument**

Changes in fair value of derivative instrument generated \$1,514,947 and \$4,500,057 income during fiscal 2014 and 2013, respectively. This was due to a lower value of the derivative liability and lower amount of convertible notes outstanding at June 30, 2014.

### **Interest Expense**

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Interest expense for fiscal 2014 and 2013 were \$211,540 and \$569,460, respectively. The \$357,920 or 62% decrease in interest expense was mainly due to decreased amount of interest expense recorded on the excess of derivative liability over the amount of the convertible debt, which was recorded as interest expense at the inception of the note, amortization of debt discount and interest expense for credit line and convertible notes.

**Net Income (Loss)**

Net income generated during 2014 and 2013 was \$225,041 and \$3,189,086 income respectively for the reasons stated above.

**Liquidity and Capital Resources**

As of June 30, 2014 and 2013, we had \$7,673 and \$5,857 in cash, respectively.

During fiscal 2014 and 2013, operating activities used net cash of \$25,684 and \$497,120, respectively. Main reasons for the \$471,436 or 95% decrease in net cash used in operating activities were outlined below:

1. Net income generated during 2014 and 2013 was \$225,041 and \$3,189,086, respectively;
2. Stock issued for services was \$994,448 and \$28,267 in 2014 and 2013, respectively;
3. Changes in fair value of derivative instrument during 2014 and 2013 generated non-cash income of \$1,514,947 and \$4,500,057, respectively;
4. Non-cash interest expense during 2014 and 2013 was \$28,991 and \$337,857, respectively;
5. During fiscal 2014 and 2013, the increased of accounts receivable generated net cash inflow of \$33,249 and \$10,792, respectively.
6. The increase of accrued expenses and other current liabilities resulted net cash inflow of \$20,524 and \$191,389, respectively.
7. During fiscal 2014 and 2013, the increase of deferred revenue generated net cash inflow of \$105,206 and \$207,044, respectively.

During fiscal 2014 and 2013, financing activities generated net cash inflow of \$27,500 and \$482,400, respectively. The decrease of \$454,900 or 94% was mainly due the following reasons.

1. Cash received from loan receivable during 2013 was \$60,000, in contrast, during 2014, there was no transaction in the same nature;
- 2.

- Proceeds from convertible notes were \$58,000 during 2013, in contrast, there is no transaction in similar nature during 2014;
3. During 2014 and 2013, repayment of credit line incurred net cash outflow of \$nil and \$10,750, respectively;
  4. Proceeds from issuance of common stock generated net cash inflow of \$22,500 and \$346,150 for the year ended June 30, 2014 and 2013, respectively;
  5. During 2013, proceeds from related party loan generated net cash inflow of \$29,000; there was no transaction in similar nature during 2014
  6. During 2014, proceeds from note payable, net of repayment were \$5,000. However, there was no transaction in similar nature during fiscal 2013.

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

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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.

**Off-Balance Sheet Arrangements**

At June 30, 2014, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise had we engaged in such relationships.

**Recent Accounting Pronouncements**

See Note 2 to the Consolidated Financial Statements under Item 8, Part II.

**ITEM 8. Financial Statements and Supplementary Data**

The full text of our audited consolidated financial statements as of June 30, 2014 and 2013 begins on page F-1 of this annual report.

**ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Effective April 8, 2013, Medical Alarm Concepts Holding, Inc. (the "Company") dismissed Li and Company, PC as the Company's independent registered public accounting firm. The decision to change accountants was approved by the Company's Board of Directors on April 8, 2013.

Li and Company, PC had been the Company's independent registered public accounting firm since July 8, 2008. The report of Li and Company, PC on the Company's financial statements for the fiscal year ended June 30, 2010 was modified to include an explanatory paragraph expressing concern about the Company's ability to continue as a going concern, but did not contain any adverse opinion or disclaimer of opinion, and was not qualified or modified as to

uncertainty, audit scope, or accounting principles.

In connection with the audit of the Company's financial statements for the fiscal year ended June 30, 2010 and through April 8, 2013, there were: (i) no disagreements between the Company and Li and Company on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Li and Company, PC would have caused it to make reference to the subject matter of the disagreement in their reports on the Company's financial statements for such years, and (ii) no reportable events within the meaning set forth in Item 304(a)(1)(v) of Regulation S-K.

Effective April 8, 2013, the Company engaged Paritz & Company, P.A. as its new independent registered public accounting firm. The decision to engage Paritz & Company, P.A. was approved by the Board of Directors on April 8, 2013.

## **ITEM 9A. Controls and Procedures**

### **Disclosure Controls and Procedures**

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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, 2014 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, Mr. Adams concluded that our disclosure controls and procedures were ineffective as of June 30, 2014 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/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/Chief Financial Officer concluded as of June 30, 2014 that our internal controls over financial reporting were ineffective due to the material weakness identified.

A material weakness in internal controls is a deficiency in internal control, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a material misstatement of the Company's annual or interim financial statements that is more than inconsequential will not be prevented or detected. In the course of making our assessment of the effectiveness of internal controls over financial reporting, we identified the following material weakness in our internal control over financial reporting:

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The Company is lacking qualified resources to perform the internal audit functions properly. In addition, the scope and effectiveness of the Company's internal audit function are yet to be developed.

We currently do not have an audit committee

The Company is relatively inexperienced with certain complexities within US GAAP and SEC reporting.

*Remediation Initiative*

We are committed to establishing the disclosure controls and procedures but due to limited qualified resources in the region, we were not able to hire sufficient internal audit resources by June 30, 2014. However, internally we established a central management center to recruit more senior qualified people in order to improve our internal control procedures. Externally, we are looking forward to engaging an accounting firm to assist the Company in improving the Company's internal control system based on the COSO Framework. We also will increase our efforts to hire the qualified resources.

We intend to establish an audit committee of the board of directors as soon as practicable. We envision that the audit committee will be primarily responsible for reviewing the services performed by our independent auditors, evaluating our accounting policies and our system of internal controls.

*Conclusion*

The Company did not have sufficient and skilled accounting personnel with an appropriate level of technical accounting knowledge and experience in the application of generally accepted accounting principles accepted in the United States of America commensurate with the Company's disclosure controls and procedures requirements, which resulted in a number of deficiencies in disclosure controls and procedures that were identified as being significant. The Company's management believes that the number and nature of these significant deficiencies, when aggregated, was determined to be a material weakness.

Despite of the material weaknesses and deficiencies reported above, the Company's management believes that its consolidated financial statements included in this report fairly present in all material respects the Company's financial condition, results of operations and cash flows for the periods presented and that this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

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**

None.

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**Part III**

**ITEM 10. Directors, Executive Officers and Corporate Governance**

**Directors and Executive Officers**

Our executive officers and directors and their respective ages as of June 30, 2014 are as follows:

| <b>Name</b>         | <b>Age</b> | <b>Position</b>  |
|---------------------|------------|--|
| <b>Ronnie Adams</b> | 65         | Chief Executive Officer, President, and Chairman of the Board of Directors |
| <b>Allen Polsky</b> | 69         | 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.

**Ronnie Adams**

Ronnie Adams serves as our CEO, 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.

**Allen Polsky**

Allen Polsky has 30 years of experience in the security and life safety industry and currently serves as Medical Alarm Concepts' Vice President of Strategic Alliances. Prior to joining MAC, he was a Senior Security consultant for JM resources, a structured wiring company. He was also a co-founder of Connective Home Acquisition.

**Family Relationships**

There are no family relationships among our directors or executive officers.

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

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors and certain persons holding more than 10 percent of a registered class of our common stock to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Officers, directors and certain other shareholders are required by the SEC to furnish the Company with copies of all Section 16(a) forms they file. To the best of the Company's knowledge, based solely upon a review of the copies of such reports. The Company's quarterly report on Form 10-Q for quarterly period ended March 31, 2013 was filed with the SEC on May 29, 2014. The Company's annual report on Form 10-K for fiscal year ended June 30, 2013 was filed with the SEC on July 17, 2014. The Company's quarterly report on Form 10-Q for period ended September 30, 2013, December 31, 2013 and March 31, 2014 were filed with the SEC on September 12, September 25 and October 8, 2014, respectively, all other required filings were not made on a timely basis.

**Code of Ethics**

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We have adopted a Code of Business Conduct and Ethics (the “Code”) that is applicable to all employees, consultants and members of the Board of Directors, including the Chief Executive Officer, Chief Financial Officer and Secretary. This Code embodies our commitment to conduct business in accordance with the highest ethical standards and applicable laws, rules and regulations. We will provide any person a copy of the Code, without charge, upon written request to the Company’s Secretary. Requests should be addressed in writing to Mr. Ronnie Adams at the Company’s mailing address.

**Director Nominees Recommended by Stockholders**

We have not implemented any changes to the procedures by which stockholders may recommend nominees to our board of directors since we last disclosed those procedures in our most recent proxy statement filed with the SEC.

**Board Composition; Audit Committee and Financial Expert**

Our Board of Directors is currently composed of two members: Ronnie Adams and Allen Polsky. All board actions require the approval of a majority of the directors in attendance at a meeting at which a quorum is present.

We currently do not have an audit committee. We intend, however, to establish an audit committee of the board of directors as soon as practical. We envision that the audit committee will be primarily responsible for reviewing the services performed by our independent auditors, evaluating our accounting policies and our system of internal controls. Currently such functions are performed by our Board of Directors.

The Board has determined that none of the board members qualifies as a “financial expert” as defined by SEC rules implementing Section 407 of the Sarbanes-Oxley Act. Neither Mr. Adams nor Mr. Polsky meet the definition of an “independent” director set forth in Rule 4200(a) (15) of the Market Place Rules of the Nasdaq Stock Market, which is the independence standard that we have chosen to report under.

**Board meetings and committees; annual meeting attendance.**

During fiscal year 2014, the Board of Directors had one meeting in total. All members of the Board of Directors attended the meetings. All members of the Board of Directors are required to attend the annual meetings of securities holders. On December 18, 2013, all members of the Board of Directors attended the meeting of the Board of Directors.

**Director compensation.**

Directors are permitted to receive fixed fees and other compensation for their services as directors. The Board of Directors has the authority to fix the compensation of directors. We reimburse our directors for all reasonable ordinary and necessary business related expenses, but we did not pay directors' fees or other cash compensation for services rendered as a director in the year ended June 30, 2014 to any individual serving on our Board during that period. We have no standard arrangement pursuant to which our directors are compensated for their services in their capacity as directors. We may pay fees for services rendered as a director when and if additional directors are appointed to the board of Directors. The Board of Directors also reserves the right in the future to award the members of the Board of Directors cash or stock based consideration for their services to the Company, which awards, if granted shall be in the sole determination of the Board of Directors.

**ITEM 11. Executive Compensation**

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, 2014 and 2013 in all capacities for the accounts of our executive officers, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO):

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(table of contents)**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, 2014 and 2013 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<br>(a)        | Year<br>(b) | Summary Compensation Table |              |                     |                      |   |  |                               | Total<br>(j) |
|---|-------------|----------------------------|--------------|---------------------|----------------------|---|--|-------------------------------|--------------|
|   |             | Salary<br>(c)              | Bonus<br>(d) | Stock Awards<br>(e) | Option Awards<br>(f) | Non-Equity Incentive Plan Compensation<br>(g) | Nonqualified Deferred Compensation Earnings<br>(h) | All Other Compensation<br>(i) |              |
| Howard Teicher<br>Former CEO and Chairman | 2013        | Nil                        | Nil          | Nil                 | Nil                  | Nil   | Nil  | \$ Nil                        | \$ Nil       |
| Ronnie Adams CEO<br>and Chairman          | 2014        | \$56,800                   | Nil          | Nil                 | Nil                  | Nil   | Nil  | \$ 6,040                      | \$62,840     |
|   | 2013        | \$56,800                   | Nil          | Nil                 | Nil                  | Nil   | Nil  | \$ 6,040                      | \$62,840     |
| Allen Polsky                              | 2014        | 12,000                     | Nil          | Nil                 | Nil                  | Nil   | Nil  | Nil                           | 12,000       |
|   | 2013        | 12,000                     | Nil          | Nil                 | Nil                  | Nil   | Nil  | Nil                           | 12,000       |

(1) In connection with a Global Settlement Agreement entered into on December 10, 2013 among the Company, Biotech and the Company's management team, members of the management team, including Ronnie Adams and Allen Polsky, agreed to forfeit certain rights to future anti-dilution of their ownership position in exchange for shares of the Company's common stock. Mr. Adams was issued 834,099 shares of common stock and Mr. Polsky was issued 218,040 shares of common stock. The shares issued were valued at \$0.64 per share, which was the market price on December 10, 2013, and were recorded as stock compensation expense.

**Option Grants.**

There were no individual grants of stock options to purchase our common stock made to the executive officers named in the Summary Compensation Table through June 30, 2014.

**Aggregated Option Exercises and Fiscal Year-End Option Value.**



There were no stock options exercised during period ending June 30, 2014 by the executive officers named in the Summary Compensation Table.

**Long-Term Incentive Plan (“LTIP”) Awards.**

There were no awards made to the named executive officers in the last completed fiscal year under any LTIP.

**Compensation of Directors**

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Directors are permitted to receive fixed fees and other compensation for their services as directors. The Board of Directors has the authority to fix the compensation of directors.

**Employment Agreements**

We do not have any employment agreements in place with our executive officers and directors.

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

The following table sets forth as of October 30, 2014, certain information with respect to the beneficial ownership of our common stock by (i) each of our executive officers, (ii) each person who is known by us to beneficially own more than 5% of our outstanding common stock, and (iii) all of our directors and executive officers as a group. Percentage ownership is calculated based on 5,628,679 shares of our common stock outstanding as of October 30, 2014. None of the shares listed below are issuable pursuant to stock options or warrants of the Company.

| <b>Title of class</b> | <b>Name and Address of Beneficial Ownership</b>                                   | <b>Amount and Nature of Beneficial Owner</b> | <b>Percentage of class</b> |
|-----------------------|---|--|----------------------------|
| <b>Common Stock</b>   | Ronald Adams<br>200 West Church Road, Suite B<br>King of Prussia, PA 19406        | 634,164                                      | 11.28 %                    |
| <b>Common Stock</b>   | Alan Polsky<br>200 West Church Road, Suite B<br>King of Prussia, PA 19406         | 227,478                                      | 4.04 %                     |
| <b>Common Stock</b>   | All officers and directors as a group (2 persons)                                 | 861,642                                      | 15.32 %                    |
| <b>Common Stock</b>   | Biotech Debt Liquidation Fund, LLC<br>1156 Clement Street San Francisco, CA 94118 | 541,301                                      | 9.62 %                     |
| <b>Common Stock</b>   | Biotech Liquidation Fund, LLC<br>1156 Clement Street San Francisco, CA 94118      | 505,905                                      | 9.00 %                     |
| <b>Common Stock</b>   | Joseph A. Noel<br>1155C Arnold Dr. Suite 168<br>Martinez, CA 94553<br>JTT-EMS LTD | 543,310 *                                    | 9.66 %                     |
| <b>Common Stock</b>   | 801-6081 No. 3 Road<br>Richmond, B.C., V6y 2B2                                    | 602,093                                      | 10.71 %                    |

\* Joseph A. Noel's total beneficial ownership is 543,310 (9.66%), which includes up to 199,084 shares as a member of Biotech Debt Liquidation Fund, LLC and up to 344,226 shares as a member of Biotech Liquidation Fund, LLC.

\* Joseph A. Noel's total beneficial ownership is 543,310 (9.66%), which includes up to 199,084 shares as a member of Biotech Debt Liquidation Fund, LLC and up to 344,226 shares as a member of Biotech Liquidation Fund, LLC.

**Change in Control**

None.

**ITEM 13. Certain Relationships and Related Transactions, and Director Independence**

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See Note 6,7,8,11 to consolidated financial statements.

#### **ITEM 14. Principal Accountant Fees and Services**

Fees Paid to Independent Public Accountants for 2014 and 2013.

##### **Audit Fees**

For the Company's fiscal years ended June 30, 2014 and 2013, we were billed approximately \$45,000 and \$35,000, respectively, for professional services rendered for the audit and review of our financial statements.

##### **Audit-Related Fees**

There were no fees for audit related services for the years ended June 30, 2014 and 2013.

##### **Tax Fees**

For the Company's fiscal years ended June 30, 2014 and 2013, we were not billed for professional services rendered for tax compliance, tax advice, and tax planning.

##### **All Other Fees**

None.

##### **Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

Since we did not have a formal audit committee, our board of directors served as our audit committee. We have not adopted pre-approval policies and procedures with respect to our accountants in 2014. All of the services provided and fees charged by our independent registered accounting firms in 2014 were approved by the board of directors.

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**Part IV**

**ITEM 15. Exhibits and Financial Statement Schedules**

| <b>Exhibit<br/>No.</b> | <b>Description</b>  | <b>Incorporated by<br/>Reference in<br/>Document</b>   |
|------------------------|---|--|
| 3.1                    | Amendment to the Articles of Incorporation Filed on September 24, 2009 with the Nevada Secretary of State   | Filed as Exhibit 3.1 to the Form 8-K filed on September 30, 2009 and incorporated herein by reference. |
| 3.2                    | Amendment of Articles of Incorporation Filed on January 13, 2014  | Filed as Exhibit 3.1 to the Form 8-K filed on January 16, 2014 and incorporated herein by reference.   |
| 31.1                   | <u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934</u>                       | Filed herewith.  |
| 32.1                   | <u>Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> | Filed herewith.  |

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**MEDICAL ALARM CONCEPTS HOLDIN, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Signatures**

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 30, 2015

**MEDICAL ALARM CONCEPTS HOLDING, INC.**

By: /s/ Ronnie Adams  
Ronnie Adams  
Chief Executive Officer and Chief Financial Officer  
(Principal Executive Officer, Principal Financial and Accounting Officer)

By: /s/ Allen Polsky  
Allen Polsky  
Director

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf of the registrant and in the capacities and on the dates indicated.

|                  |   |                   |
|------------------|---|-------------------|
| /s/ Ronnie Adams | Chief Executive Officer and Chief Financial Officer                       | April 30,<br>2015 |
| Ronnie Adams     | (Principal Executive Officer, Principal Financial and Accounting Officer) |                   |
| /s/ Allen Polsky | Director  | April 30,<br>2015 |
| Allen Polsky     |   |                   |





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**MEDICAL ALARM CONCEPTS HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Index to Consolidated Financial Statements**

|   |     |
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| Consolidated Balance Sheets                             | F-3 |
| Consolidated Statements of Comprehensive Income         | F-4 |
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| Consolidated Statements of Cash Flows                   | F-6 |
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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and Board of Directors of

Medical Alarm Concepts Holding, Inc.

We have audited the accompanying consolidated balance sheets of Medical Alarm Concepts Holding, Inc. (the “Company”) as of June 30, 2014 and 2013 and the related consolidated statement of comprehensive income, stockholders’ deficit, and cash flows for the years then ended. The Company’s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the 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. Our audits of the consolidated financial statements include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Medical Alarm Concepts Holding, Inc. as of June 30, 2014 and 2013 and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As disclosed in Note 3 to the accompanying financial statements, the Company had working capital deficit of \$3,135,937, a stockholders’ deficit of \$2,036,440, did not generate cash from its operations, and had operating loss for past two years. These circumstances, among others, raise substantial doubt about the Company’s ability to continue as a going concern. Management's plans in regard to these matters are described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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Accompanying consolidated financial statements as of and for the year ended June 30, 2013 and 2014 have been restated as discussed in Note 15.

*/s/ Paritz & Company, P.A.*

Hackensack, New Jersey,

October 29, 2014, except for Note 3 and Note 15 which are dated April 27, 2015

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(table of contents)**MEDICAL ALARM CONCEPTS HOLDINGS, INC.****CONSOLIDATED BALANCE SHEETS**

|  | June 30,<br><b>2014</b><br>(As restated) | June 30,<br>2013<br>(As restated) |
|--|--|-----------------------------------|
| <b>ASSETS</b>  |  |                                   |
| <b>CURRENT ASSETS</b>  |  |                                   |
| Cash   | \$7,673                                  | \$5,857                           |
| Accounts receivable net of allowance of \$7,906 and \$nil  | 36,952                                   | 11,607                            |
| Inventory  | 22,839                                   | 26,136                            |
| Prepaid expense  | —  | 32,661                            |
| Total current assets   | 67,464                                   | 76,261                            |
| <b>NON-CURRENT ASSETS</b>  |  |                                   |
| Property and equipment, net  | 461                                      | 5,714                             |
| Intangible assets, net   | 1,099,036                                | 1,177,538                         |
| Total non-current assets   | 1,099,497                                | 1,183,252                         |
| Total assets   | \$1,166,961                              | \$1,259,513                       |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>   |  |                                   |
| <b>CURRENT LIABILITIES</b>   |  |                                   |
| Derivative liability   | \$30,766                                 | \$2,455,628                       |
| Accounts payable   | 67,305                                   | 71,623                            |
| Deferred revenue   | 380,397                                  | 275,191                           |
| Note payable - related party   | —  | 29,000                            |
| Note payable - other   | 5,000                                    | —                                 |
| Accrued expenses and other current liabilities   | 194,025                                  | 367,798                           |
| Convertible notes payable - current  | 25,908                                   | 54,330                            |
| Patent payable   | 2,500,000                                | 2,500,000                         |
| Total current liabilities  | 3,203,401                                | 5,753,570                         |
| <b>NON-CURRENT LIABILITIES</b>   |  |                                   |
| Credit line payable - related party  | —  | 618,844                           |
| Convertible notes payable, net of discount   | —  | 225,165                           |
| Total non-current liabilities  | —  | 844,009                           |
| Total liabilities  | 3,203,401                                | 6,597,579                         |
| <b>STOCKHOLDERS' DEFICIT</b>   |  |                                   |
| Series A Convertible Preferred Stock: \$0.0001 par value; 100,000 shares authorized; 688 shares issued and outstanding as of June 30, 2014 and 2013, respectively  | —  | —                                 |
| Series B Convertible Preferred Stock: \$0.0001 par value; 62,500 shares authorized; 9,938 shares issued and outstanding as of June 30, 2014 and 2013, respectively | 1  | 1                                 |
| Common stock: \$0.0001 par value; 20,000,000 shares authorized; 5,623,679 and 1,696,813 shares issued and outstanding on June 30, 2014 and 2013, respectively      | 562                                      | 170                               |
| Additional paid-in capital   | 12,203,981                               | 9,127,788                         |

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|  |                    |                    |
|--|--------------------|--------------------|
| Accumulated deficit                                | (14,240,984)       | (14,466,025)       |
| Total stockholders' deficit                        | (2,036,440 )       | (5,338,066 )       |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b> | <b>\$1,166,961</b> | <b>\$1,259,513</b> |

See accompanying notes to the consolidated financial statements.

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[\(table of contents\)](#)**MEDICAL ALARM CONCEPTS HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

|  | For the years ended June<br>30, |             |
|--|---------------------------------|-------------|
|  | 2014                            | 2013        |
| Revenue  | \$1,153,693                     | \$572,712   |
| Cost of revenue  | 324,503                         | 441,788     |
| Gross profit   | 829,190                         | 130,924     |
| Operating expenses   |                                 |             |
| Selling expense  | 212,133                         | 244,162     |
| General and administrative                                   | 1,695,423                       | 628,273     |
| Total operating expenses                                     | 1,907,556                       | 872,435     |
| Loss from operations   | (1,078,366)                     | (741,511 )  |
| Other (income) expenses                                      |                                 |             |
| Change in fair value of derivative instrument                | (1,514,947)                     | (4,500,057) |
| Interest expense   | 211,540                         | 569,460     |
| Total other (income) expense                                 | (1,303,407)                     | (3,930,597) |
| Income before income tax                                     | 225,041                         | 3,189,086   |
| Income tax provision   | —                               | —           |
| Net income   | \$225,041                       | \$3,189,086 |
| Net income per common share - basic and diluted              | \$0.06                          | \$3.47      |
| Weighted average number of common shares - basic and diluted | 3,787,467                       | 918,391     |

See accompanying notes to the consolidated financial statements.

[\(table of contents\)](#)**MEDICAL ALARM CONCEPTS HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**

|   | Series A<br>Preferred<br>Stock |        | Series B<br>Preferred<br>Stock |        | Common Stock |        | Additional<br>Paid-in<br>Capital | Deficit<br>Accumulated | Total<br>Stockholders'<br>Deficit |
|---|--------------------------------|--------|--------------------------------|--------|--------------|--------|----------------------------------|------------------------|-----------------------------------|
|   | Shares                         | Amount | Shares                         | Amount | Shares       | Amount |                                  |                        |                                   |
| Balance at June 30, 2012  | 688                            | —      | 9,938                          | 1      | 717,103      | 72     | 7,407,291                        | (17,655,111)           | (10,247,747)                      |
| Conversion of convertible notes to Common Stock   | —                              | —      | —                              | —      | 354,893      | 35     | 994,054                          | —                      | 994,089                           |
| Issuance of common stocks for cash  | —                              | —      | —                              | —      | 623,468      | 63     | 291,688                          | —                      | 291,751                           |
| Share-based compensation  | —                              | —      | —                              | —      | —            | —      | 28,267                           | —                      | 28,267                            |
| Forgiveness of warrants   | —                              | —      | —                              | —      | —            | —      | 403,417                          | —                      | 403,417                           |
| Stock issued for cashless exercise of warrants  | —                              | —      | —                              | —      | 1,349        | —      | 3,071                            | —                      | 3,071                             |
| Net loss  | —                              | —      | —                              | —      | —            | —      | —                                | 3,189,086              | 3,189,086                         |
| Balance at June 30, 2013  | 688                            | —      | 9,938                          | 1      | 1,696,813    | 170    | 9,127,788                        | (14,466,025)           | (5,338,066 )                      |
| Conversion of convertible notes to Common Stock   | —                              | —      | —                              | —      | 2,160,180    | 216    | 343,603                          | —                      | 343,819                           |
| Issuance of common stocks for services  | —                              | —      | —                              | —      | 1,543,669    | 154    | 994,294                          | —                      | 994,448                           |
| Forgiveness of credit line  | —                              | —      | —                              | —      | —            | —      | 618,844                          | —                      | 618,844                           |
| Derivative liability classified to additional paid-in capital upon conversion of related convertible notes          | —                              | —      | —                              | —      | —            | —      | 909,918                          | —                      | 909,918                           |
| Accrued interest and debt discount classified to additional paid-in capital upon conversion and forgiveness of debt | —                              | —      | —                              | —      | —            | —      | 107,656                          | —                      | 107,656                           |
| Stock issued for cash   | —                              | —      | —                              | —      | 123,014      | 12     | 76,888                           | —                      | 76,900                            |
| Stock issued for payment of interest  | —                              | —      | —                              | —      | 100,000      | 10     | 24,990                           | —                      | 25,000                            |
| Net loss  | —                              | —      | —                              | —      | —            | —      | —                                | 225,041                | 225,041                           |
| Balance at June 30, 2014  | 688                            | —      | 9,938                          | 1      | 5,623,676    | 562    | 12,203,981                       | (14,240,984)           | (2,036,440 )                      |

See accompanying notes to the consolidated financial statements.

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(table of contents)**MEDICAL ALARM CONCEPTS HOLDINGS, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | For the years ended June |             |
|--|--------------------------|-------------|
|  | 30,                      |             |
|  | 2014                     | 2013        |
| Net income   | \$225,041                | \$3,189,086 |
| Adjustments to reconcile net income to net cash used in operating activities:              |                          |             |
| Common stock issued for services   | 994,448                  | 28,267      |
| Common stock issued for interest   | 25,000                   | 0           |
| Change in fair value of derivative instrument  | (1,514,947)              | (4,500,057) |
| Amortization of patent   | 78,503                   | 78,503      |
| Non-cash interest expense  | 28,991                   | 337,857     |
| Depreciation   | 5,253                    | 5,250       |
| Bad debt expense   | 7,906                    | —           |
| Change in operating assets and liabilities   |                          |             |
| Accounts receivable  | (33,249 )                | (10,792 )   |
| Inventory  | 3,297                    | 25,906      |
| Prepaid expenses   | 32,661                   | (32,661 )   |
| Accounts payable   | (4,318 )                 | (16,912 )   |
| Accrued expenses and other current liabilities   | 20,524                   | 191,389     |
| Deferred revenue   | 105,206                  | 207,044     |
| Net Cash Used in Operating Activities  | (25,684 )                | (497,120 )  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                          |             |
| Cash received from loan receivable   | —                        | 60,000      |
| Proceeds from convertible notes  | —                        | 58,000      |
| Proceeds from note payable - other   | 5,000                    | —           |
| Proceeds from issuance of common stock, net of costs                                       | 22,500                   | 346,150     |
| Repayment of credit line - related party   | —                        | (10,750 )   |
| Proceeds from (repayment of) loan payable - related party                                  | —                        | 29,000      |
| Net Cash Provided By Financing Activities  | 27,500                   | 482,400     |
| <b>NET INCREASE (DECREASE) IN CASH</b>   | 1,816                    | (14,720 )   |
| <b>CASH AT BEGINNING OF PERIOD</b>   | 5,857                    | 20,577      |
| <b>CASH AT END OF PERIOD</b>   | \$7,673                  | \$5,857     |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                    |                          |             |
| Cash paid for interest expense   | \$125,000                | \$150,090   |
| Cash paid for income taxes   | \$—                      | \$—         |
| Conversion of convertible notes to common stock  | \$314,819                | \$64,883    |
| Derivative liability classified to additional paid-in capital upon forgiveness of warrants | \$—                      | \$403,417   |
|  | \$909,915                | \$929,206   |

|   |           |          |
|---|-----------|----------|
| Derivative liability classified to additional paid-in capital upon conversion of related convertible notes          |           |          |
| Debt discount from derivative liability   |           | \$58,000 |
| Issuance of common stock previously classified as stock to be issued  | \$54,400  | \$—      |
| Forgiveness of creditline payable classified to additional paid-in capital  | \$618,843 | \$—      |
| Accrued interest and debt discount classified to additional paid-in capital upon conversion and forgiveness of debt | \$107,656 | \$—      |

See accompanying notes to the consolidated financial statements.

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**MEDICAL ALARM CONCEPTS HOLDINGS, INC.**

**NOTES TO 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 and Consolidation

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

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All significant inter-company transactions and balances among the Company and its subsidiary are eliminated upon

consolidation.

Certain amounts included in June 30, 2013 financial statements have been reclassified to conform to the June 30, 2014 financial statements presentation.

### Reverse Split

On February 14, 2014, the company filed a Certificate of Change with the State of Nevada to effect a 1-for-800 reverse stock split on the issued and outstanding preferred and common stock. All relevant information relating to numbers of shares, warrants and per share information have been retrospectively adjusted to reflect the reverse stock split for all periods presented.

### Use of Estimates

The preparation of the financial statements in conformity with Generally Accepted Accounting Principles (“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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. These estimates and assumptions include the collectability of accounts receivable, deferred taxes and related valuation allowances and value of derivative financial instruments. Certain of our estimates, including evaluating the collectability of accounts receivable, could be affected by external conditions, including those unique to our industry, and general economic conditions. It is possible that these external factors could have an effect on our estimates that could cause actual results to differ from our estimates. We re-evaluate all of our accounting estimates at least quarterly based on these conditions and record adjustments when necessary.

### Cash

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

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**MEDICAL ALARM CONCEPTS HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Accounts receivable and allowance for doubtful accounts receivable

We have a policy of reserving for uncollectible accounts based on our best estimate of the amount of probable credit losses in our existing accounts receivable. We extend credit to our customers based on an evaluation of their financial condition and other factors. We generally do not require collateral or other security to support accounts receivable. We perform ongoing credit evaluations of our customers and maintain an allowance for potential bad debts if required. We determine whether an allowance for doubtful accounts is required by evaluating specific accounts where information indicates the customers may have an inability to meet financial obligations. In these cases, we use assumptions and judgment, based on the best available facts and circumstances, to record a specific allowance for those customers against amounts due to reduce the receivable to the amount expected to be collected. These specific allowances are re-evaluated and adjusted as additional information is received. The amounts calculated are analyzed to determine the total amount of the allowance. We may also record a general allowance as necessary. Direct write-offs are taken in the period when we have exhausted our efforts to collect overdue and unpaid receivables or otherwise evaluate other circumstances that indicate that we should abandon such efforts.

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, 2014 and 2013.

Property and equipment

Property and equipment includes furniture and fixtures and office equipment which 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 (“ASC”) 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. From July 30, 2008 to March 31, 2011, the patent cost was amortized over the period of six years. The company changed the estimated useful life of patent from six years to twenty years. From April 1, 2011, the unamortized balance of patent costs will be amortized over the remaining period of useful life. 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 ASC 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.

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**MEDICAL ALARM CONCEPTS HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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 undiscounted 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, 2014 and 2013.

Convertible instruments and derivative financial instruments

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 ASC and paragraph 815-40-25 of the FASB ASC. 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 ASC ("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.

### Fair Value of Financial Instruments

The Company follows paragraph 825-10-50-10 of the FASB ASC for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB ASC (“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:



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**MEDICAL ALARM CONCEPTS HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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, inventory, prepaid expenses, accounts payable, 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, 2014 and 2013.

The derivative liability which consists of embedded conversion feature and warrants issued in connection with our convertible debt, classified as a level 3 liability, are the only financial liability measured at fair value on a recurring basis. (See Note 10)

**Income Taxes**

The Company accounts for income taxes under the provisions of FASB ASC Topic 740, "Income Tax," which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. Deferred tax assets and liabilities are recognized for the future tax consequence attributable to the difference between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are measured using the enacted tax rate 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 income in the period that includes the enactment date. The Company establishes a valuation when it is more likely than not that the assets will not be recovered.

ASC Topic 740.10.30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740.10.40 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We have no material uncertain tax positions for any of the reporting periods presented.

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 ASC 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.

All revenues from subscription arrangements are recognized ratably over the term of such arrangements. The excess of amounts received over the income recognized is recorded as deferred revenue on the consolidated balance sheet.

Shipping and handling costs

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

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**MEDICAL ALARM CONCEPTS HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Stock-based compensation

We recognize compensation expense for stock-based compensation in accordance with ASC Topic 718. For employee stock-based awards, we calculate the fair value of the award on the date of grant using the Black-Scholes method for stock options and the quoted price of our common stock for unrestricted shares; the expense is recognized over the service period for awards expected to vest. For non-employee stock-based awards, we calculate the fair value of the award on the date of grant in the same manner as employee awards. However, the awards are revalued at the end of each reporting period and the pro rata compensation expense is adjusted accordingly until such time the nonemployee award is fully vested, at which time the total compensation recognized to date equals the fair value of the stock-based award as calculated on the measurement date, which is the date at which the award recipient's performance is complete. The estimation of stock-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from original estimates, such amounts are recorded as a cumulative adjustment in the period estimates are revised. We consider many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience.

The Black-Scholes option valuation model is used to estimate the fair value of the warrants or options granted. The model includes subjective input assumptions that can materially affect the fair value estimates. The model was developed for use in estimating the fair value of traded options or warrants. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the warrants or options granted.

Net loss per common share

Net loss per common share is computed pursuant to section 260-10-45 of the FASB ASC. 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. 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 ASC 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 ASC 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 ASC 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.

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**MEDICAL ALARM CONCEPTS HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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 evaluates 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 Accounting Pronouncements

In April 2014, the FASB issued amendments to ASC Topic 205 “Presentation of Financial Statements” and ASC Topic 360 “Property, Plant and Equipment”. The amendments change the current requirements for reporting discontinued operations in Subtopic 205-20. It requires an entity to present, for each comparative period, the assets and liabilities of a disposal group that includes a discontinued operation separately in the asset and liability section, respectively, of the statement of financial position. This topic is effective for public entities for reporting periods beginning after December 15, 2014. An entity should not apply the amendments to a component classified as held for sale before the effective date even if the component of an entity is disposed of after the effective date. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued. The Company does not believe the adoption of the amendments to ASC 205 and ASC 360 will have a material effect on its consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company’s consolidated financial statements upon adoption.

**NOTE 3 GOING CONCERN**

These consolidated financial statements are presented on the basis that we will continue as a going concern. The going concern concept contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

As the accompanying consolidated financial statements, the Company has working capital deficit of \$3,135,937, did not generate cash from its operations, had stockholders' deficit of \$2,036,440 and had operating losses for past two years. These circumstances, among others, raise substantial doubt about the Company's ability to continue as a going concern.

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 – INTANGIBLE ASSETS**

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 was 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 was not made on June 30, 2012. On September 30, 2014, this due

date was extended to December 31, 2014.

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**MEDICAL ALARM CONCEPTS HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Amortization of patent aggregated \$78,503 for the year ended June 30, 2014 and 2013 respectively.

Patent, stated at cost, less accumulated amortization consisted of the following:

|                                | June 30,<br>2014 | June 30, 2013 |
|--------------------------------|------------------|---------------|
| Patent                         | \$2,500,000      | \$2,500,000   |
| Less: accumulated amortization | (1,400,964)      | (1,322,462)   |
|                                | \$1,099,036      | \$1,177,538   |

**NOTE 5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

The following table presents accrued expenses and other current liabilities.

|                       | June 30,<br>2014 | June 30,<br>2013 |
|-----------------------|------------------|------------------|
| Accrued expenses      | \$194,025        | \$169,952        |
| Accrued interest      | —                | 107,988          |
| Stock to be issued    | —                | 54,400           |
| Advance from customer | —                | 35,458           |
| Total                 | \$194,025        | \$367,798        |

**NOTE 6 - CREDIT LINE – RELATED PARTY**

On January 6, 2012, the Company and Biotech Development Group, LLC. (“Biotech”), a shareholder, entered into a credit line agreement (“Credit Line Agreement”), pursuant to which, Biotech agreed to give the Company a line of credit



to borrow up to \$500,000. The principal balance is due on December 31, 2012. This credit line bears interest at 8% per annum and due quarterly. On May 18, 2012, the credit line was increased to \$750,000. On June 11, 2013, the due date of the credit line was extended to December 31, 2014. On December 10, 2013, the balance of credit line was forgiven. Since the credit line is from a related party, the amount forgiven was recorded in additional paid-in capital. See Note 7 Stockholders' Equity.

#### **NOTE 7 - CONVERTIBLE NOTES PAYABLE**

The convertible notes are convertible into shares of the Company's common stock at a fixed conversion price equal to the lesser of the fixed conversion price of \$0.002, 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. The convertible notes balance as of June 30, 2014 was \$25,908 and was due on March 31, 2013.

During the year ended June 30, 2013, the Company issued convertible notes of \$58,000. The convertible notes are convertible into shares of the Company's common stock at a fixed conversion price equal to the lesser of the fixed conversion price of \$0.0014, 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 and due in November 15, 2014. As part of this transaction, the Company also issued warrants to purchase 51,250 shares of common stock. The exercise price is \$0.0014 per share.

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**MEDICAL ALARM CONCEPTS HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

During the year ended June 30, 2013, convertible notes with total face amount of \$64,883 were converted to 354,893 shares of common stock.

During the year ended June 30, 2014, convertible notes with total face amount of \$314,819 were converted pursuant to Global Settlement Agreement. (See Note 8 – Stockholder’s Equity)

The following table summarizes the convertible promissory notes movement of fiscal 2014 and 2013:

|                             |           |
|-----------------------------|-----------|
| Balance at June 30, 2012    | \$347,610 |
| Convertible notes issued    | 58,000    |
| Convertible notes converted | (64,883 ) |
| Total                       | 340,727   |
| Less: debt discount         | (61,232 ) |
| Balance at June 30, 2013    | 279,495   |
| Less: current portion       | (54,330 ) |
| Long-term portion           | 225,165   |
| <br>                        |           |
| Balance at June 30, 2013    | 340,727   |
| Convertible notes issued    | —         |
| Convertible notes converted | (314,819) |
| Total                       | 25,908    |
| Less: debt discount         | —         |
| Balance at June 30, 2014    | 25,908    |

**NOTE 8 – STOCKHOLDERS’ EQUITY**

During fiscal year ended June 30, 2013, the Company issued 623,468 shares of common stocks for cash of \$291,751.

During fiscal year ended June 30, 2013, the Company issued 1,349 shares of common stocks as a result of cashless exercise of warrants.

During the fiscal year ended June 30, 2014, 123,014 shares of common stocks were issued to investors for \$76,900 cash. \$54,400 was received during the year ended June 30, 2013 and was classified as the liability for common stock to be issued, which was included in accrued expense and other current liabilities at June 30, 2013 and reclassified to equity upon issuance of the shares.

On December 10, 2013, the Company entered into a Global Settlement Agreement (the "Agreement"). Pursuant to the term of a Global Settlement Agreement ("GSA") among the Company, Biotech and the management team, as defined:

1. Biotech forgave any outstanding borrowings of the Company under the Credit Line referred to in Note 6 for no consideration.
2. Outstanding convertible notes aggregating \$314,819 were converted into 2,123,930 shares of the Company's common stock.
3. The management team agreed to forfeit its rights to future anti-dilution of its ownership position in exchange for 1,493,669 shares of the Company's common stock. The shares issued were valued at \$0.64 per share which is the market price in December 10, 2013 and recorded as stock compensation expense.

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**MEDICAL ALARM CONCEPTS HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

On February 5, 2014 the Company issued 50,000 shares of common stock to a shareholder as compensation for consulting services provided to the Company. Those shares were valued at the quoted market price for total \$38,500 and recorded as expense.

On February 5, 2014, the Company issued 36,250 shares of common stock to a related note holder as repayment of promissory note of \$29,000. See Note 10.

On June 26, 2014, the Company issued 100,000 shares of common stock to a note holder for payment of interest (See Note 4)

**NOTE 9 - WARRANTS**

During the year ended June 30, 2013, investors agreed to forgive warrants to purchase 224,378 shares of common stock. Fair market value of warrants forgiven classified as derivative liability totaled \$403,417 was recorded as additional paid-in capital.

On March 4, 2013, two investors exercised warrants to purchase 1,477 shares of common stocks on cashless basis. Resulting from their conversion, the Company issued 1,349 shares of common stocks to them.

The following table summarizes the movement of warrants:

|                                     | <b>Number of shares</b>      |                           | Weighted average exercise price |
|-------------------------------------|------------------------------|---------------------------|---------------------------------|
|                                     | Prior to Reverse Stock Split | After Reverse Stock Split |                                 |
| <b>Outstanding at June 30, 2012</b> | 139,683,763                  | 174,605                   | 0.0002                          |
| <b>Granted</b>                      | 41,000,000                   | 51,250                    | 0.0014                          |
| <b>Exercised</b>                    | (1,181,707)                  | (1,477)                   | 0.0002                          |
| <b>Forgiven</b>                     | (179,502,056)                | (224,378)                 | 0.0002                          |
| <b>Outstanding at June 30, 2013</b> | -                            | -                         | -                               |

**NOTE 10 - DERIVATIVE 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 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 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.

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The Company accounted for the issuance of the convertible debentures in accordance with ASC 815” Derivatives and Hedging.” The debentures are convertible into an indeterminate number of shares for which the Company cannot determine if it has sufficient authorized shares to settle the transaction with. Accordingly, the embedded conversion option is a derivative liability and is marked to market through earnings at the end of each reporting period.

The gross proceed from the sale of the debentures are recorded net of a discount of related to the conversion feature of the embedded conversion option. When the fair value of conversion options is in excess of the debt discount the amount has been included as a component of interest expense in the statement of operations. During the year ended June 30, 2013, the Company recorded \$261,230 of interest expense relating to the excess fair value of the conversion option over the face value of the debentures.

The fair value of the Warrants underlying the promissory notes issued at the time of their issuance was calculated pursuant to the Black-Scholes option pricing model. The fair value was recorded as a reduction to the promissory notes payable and was charged to operations as interest expense in accordance with effective interest method within the period of the promissory notes. Significant assumptions used in calculating fair value of outstanding warrants are as follows.

| Expected dividend | Expected volatility | Risk-free rate of interest                          | Expected term (year)                           | Exercise Price | Underlying Number of shares                    |
|-------------------|---------------------|---|--|----------------|--|
| —                 | 193.89% - 322.21%   | 0.07 %/ 1 year<br>0.35 %/ 2 years<br>0.5 %/ 3 years | As set forth by each promissory note agreement | \$0.0002       | As set forth by each promissory note agreement |

The following table provides a summary of the changes in fair value of derivative liabilities measured at fair value on a recurring basis using significant unobservable inputs during the year ended June 30, 2014 and 2013.

|  |             |
|--|-------------|
| Balance - July 1, 2012                     | 8,043,577   |
| Issuances during the year                  | 261,230     |
| Conversion and forgiveness during the year | (1,349,122) |
| changes in fair value included in earnings | (4,500,057) |
| Balance - June 30, 2013                    | 2,455,628   |

|  |             |
|--|-------------|
| Issuances during the year                  | —           |
| Conversion during the year                 | (909,915 )  |
| changes in fair value included in earnings | (1,514,947) |
| Balance - June 30, 2014                    | 30,766      |

**Note 11 – NOTE PAYABLE –OTHER**

On November 1, 2013, the Company issued a \$30,000 promissory note to a vendor who provide monitoring services to the Company. The note is non-interest bearing and due on June 1, 2014. The note will be paid in six installment payments with \$5,000 due on the first day of each month from January to June 2014. Based on the note, all subscribers monitoring agreements owned or newly originated by the Company must be monitored by the note holder until the terms of the agreement are satisfied. This note is guaranteed by the CEO of the Company. As of June 30, 2014, unpaid balance was \$5,000 which was paid in July 2014.

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**MEDICAL ALARM CONCEPTS HOLDINGS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 12 - RELATED PARTY TRANSACTIONS**

During the fiscal years ended June 30, 2013, the Company issued various convertible notes to certain shareholders. (See Note 7)

Interest expenses to shareholder loans were \$31,909 and \$72,349 for the years ended June 30, 2014 and 2013, respectively, zero amount was paid during the years ended June 30, 2014 and 2013, respectively.

On June 14, 2013, the Company issued a \$29,000 promissory note to a family member of the Company's CEO. The note is non-interest bearing and due on June 13, 2014. The note was converted to 36,250 shares of common stock on February 5, 2014.

On February 5, 2014 the Company issued 50,000 shares of common stock to a shareholder as compensation for consulting services provided to the Company. Those shares were valued at the quoted market price for total \$38,500 and recorded as expense.

On December 10, 2013, the Company issued 1,493,669 shares of common stock to management team per Global Settlement Agreement. (See Note 8)

**NOTE 13 – INCOME TAX**



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The reconciliation of income tax benefit at the U.S. statutory rate of 34% for the years ended June 30, 2014 and 2013 to the Company's effective tax rate is as follows:

|   | Year ended June 30, |   |          |   |
|---|---------------------|---|----------|---|
|   | 2014                |   | 2013     |   |
| U.S. federal statutory rate   | 34.0                | % | 34.0     | % |
| State income tax, net of federal benefit  | 9.99                | % | 9.99     | % |
| Permeant difference – change in fair value of derivative instrument and non-cash interest expense | (296.14%)           |   | (57.41%) |   |
| Change in valuation allowance   | 252.15              | % | 13.42    | % |
| Income tax provision (benefit)  | 0.0                 | % | 0.0      | % |

The benefit for income tax is summarized as follows:

|                                | Year ended June 30, |           |
|--------------------------------|---------------------|-----------|
|                                | 2014                | 2013      |
| Federal:                       |                     |           |
| Current                        | \$—                 | \$—       |
| Deferred                       | (438,568)           | (330,858) |
| State and local:               |                     |           |
| Current                        | —                   | —         |
| Deferred                       | (128,862)           | (97,214 ) |
| Change in valuation allowance  | 567,430             | 428,072   |
| Income tax provision (benefit) | \$—                 | \$—       |

The tax effects of temporary differences that give rise to the Company's net deferred tax liability as of June 30, 2014 and 2013 are as follows:

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|                                      | Year ended June 30, |             |
|--------------------------------------|---------------------|-------------|
|                                      | 2014                | 2013        |
| Net operating losses carried forward | \$4,784,732         | \$4,217,302 |
| Less: valuation allowance            | (4,784,732)         | (4,217,302) |
| Deferred tax assets                  | \$—                 | \$—         |

As of June 30, 2014, the Company had approximately \$ 11 million of federal and state net operating loss carryovers (“NOLs”) which begin to expire in 2028. Utilization of the NOLs may be subject to limitation under the Internal Revenue Code Section 382 should there be a greater than 50% ownership change as determined under regulations.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the assessment, management has established a full valuation allowance against the entire deferred tax asset relating to NOLs for every period because it is more likely than not that all of the deferred tax asset will not be realized.

The Company files U.S. federal and states of Pennsylvania tax returns that are subject to audit by tax authorities beginning with the year ended June 30, 2008. The Company’s policy is to classify assessments, if any, for tax and related interest and penalties as tax expense.

**NOTE 13 - CONCENTRATION AND CREDIT RISK**

Sales to one customer accounted for approximately 17% and 19% of the Company’s revenue for the year ended June 30, 2014 and 2013, respectively.

The Company had only one supplier during the years ended June 30, 2014 and 2013, respectively.

**NOTE 14 – SUBSEQUENT EVENT**

On August 21, 2014, the Company granted 5,000 shares of common stock to an individual as compensation for his services pursuant to a “Restricted Stock Grant Notice” between the Company and the consultant dated July 1, 2014.

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**MEDICAL ALARM CONCEPTS HOLDINGS, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 15 - RESTATEMENT OF CONSOLIDATED BALANCE SHEETS**

The management of the Company has concluded that we should restate our consolidated balance sheets as of June 30, 2014 and 2013. The conclusion was reached by management because they determined that the patent payable was improperly classified on balance sheets as of June 30, 2014 and 2013.

The effect of the restatement on specific line items in the financial statements as of June 30, 2014 and 2013 is set forth in the table below:

## Consolidated Balance Sheet as of June 30, 2014

|                               | Previously<br>Reported | Adjustments     | As Restated  |
|-------------------------------|------------------------|-----------------|--------------|
| Patent payable                | \$ —                   | \$ 2,500,00     | \$ 2,500,000 |
| Total current liabilities     | \$ 703,401             | \$ 2,500,000    | \$ 3,203,401 |
| Patent payable                | \$ 2,500,000           | \$ (2,500,000 ) | \$ —         |
| Total non-current liabilities | \$ 2,500,000           | \$ (2,500,000 ) | \$ —         |

## Consolidated Balance Sheet as of June 30, 2013

|                               | Previously<br>Reported | Adjustments     | As Restated  |
|-------------------------------|------------------------|-----------------|--------------|
| Patent payable                | \$ —                   | \$ 2,500,00     | \$ 2,500,000 |
| Total current liabilities     | \$ 3,253,570           | \$ 2,500,000    | \$ 5,753,570 |
| Patent payable                | \$ 2,500,000           | \$ (2,500,000 ) | \$ —         |
| Total non-current liabilities | \$ 3,344,009           | \$ (2,500,000 ) | \$ 844,009   |

