

MEDICAL ALARM CONCEPTS HOLDINGS INC  
Form 10-Q/A  
March 10, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-Q**

**Amendment No. 1**

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

For the Quarterly Period Ended December 31, 2011

..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**

(Address of principal executive offices)

**(877) 639-2929**

**19406**

(Zip Code)

(Registrant's telephone number, including area code)

**N/A**

(Former address)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

| Class                                     | Outstanding at October 14, 2013 |
|---|---------------------------------|
| Common Stock, \$0.001 par value per share | 1,364,719,304 shares            |

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## EXPLANATORY NOTES

The management of Medical Alarm Concepts Holdings, Inc. (the “Company”) has concluded that we should restate our financial statements as of and for the three and six months ended December 31, 2011. The conclusion was reached by management because they determined that fair market value of convertible notes and warrants were improperly valued as of December 31, 2011.

The restatement has resulted in the changes to the financial statements disclosed in Note 10 to Consolidated Financial Statements, addition of Note 10 (Restatement) and a modification to Note 5 (Convertible Notes Payable) and Note 6 (Derivative Warrant Liabilities and Fair Value) as well as appropriate changes to Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In addition, as a result of discovering the need to restate, we have modified the disclosure in Item 4, “Controls and Procedures.”

Except as discussed above, we have not modified or updated disclosures presented in the original quarterly report on Form 10-Q. Accordingly, this Form 10-Q/A does not reflect events occurring after the filing of our original Form 10-Q or modify or update those disclosures affected by subsequent events, except as specifically referenced herein. Accordingly, this Form 10-Q/A 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 II. FINANCIAL INFORMATION****Item 1. Financial Statements****MEDICAL ALARM CONCEPTS HOLDING, INC.****CONSOLIDATED BALANCE SHEETS**

|   | <b>December<br/>31, 2011</b><br>(Unaudited)<br>(As restated) | June 30,<br>2011 |
|---|--|------------------|
| <b>Current assets</b>   |  |                  |
| Cash  | \$ 159   | \$ 22            |
| Accounts receivable   | 7,466  | 5,240            |
| Inventory   | 11,925   | 22,462           |
| Total current assets  | 19,550   | 27,724           |
| <b>Non-current assets</b>   |  |                  |
| Property and equipment, net   | 13,590   | 16,215           |
| Intangible assets, net  | 1,295,292  | 1,334,544        |
| Total non-current assets  | 1,308,882  | 1,350,759        |
| <br>Total assets  | <br>\$ 1,328,432   | <br>\$ 1,378,483 |
| <b>Current liabilities</b>  |  |                  |
| Derivative liability  | \$ 32,636,436  | \$ 322,831       |
| Accounts payable  | 191,417  | 187,233          |
| Deferred revenue  | 44,829   | 69,529           |
| Accrued expenses and other current liabilities  | 183,226  | 114,353          |
| Total current liabilities   | 33,055,908   | 693,946          |
| <br>Patent payable  | <br>2,500,000  | <br>2,500,000    |
| Convertible notes payable, net of discount  | 249,954  | 209,578          |
| Total non-current liabilities   | 2,749,954  | 2,709,578        |
| <br>Total liabilities   | <br>35,805,862   | <br>3,403,524    |
| <br><b>STOCKHOLDERS' DEFICIT</b>  |  |                  |
| Series A Convertible Preferred Stock: \$0.0001 par value; 50,000,000 shares authorized;<br>550,000 shares issued and outstanding as of December 31, 2011 and June 30, 2011,<br>respectively | 55   | 55               |
| Series B Convertible Preferred Stock: \$0.0001 par value; 50,000,000 shares authorized;<br>7,950,000 shares issued and outstanding as of December 31, 2011 and June 30, 2011,               | 795  | 795              |

respectively

|   |                    |                    |
|---|--------------------|--------------------|
| Common stock: \$0.0001 par value; 1,400,000,000 shares authorized 407,947,121 shares and 373,174,121 shares issued and outstanding on December 31, 2011 and June 30, 2011, respectively | 40,797             | 37,317             |
| Additional paid-in capital  | 4,991,409          | 4,959,045          |
| Accumulated deficit   | (39,510,486)       | (7,022,253)        |
| Total Stockholders' Deficit   | (34,477,430)       | (2,025,041)        |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>  | <b>\$1,328,432</b> | <b>\$1,378,483</b> |

See accompanying notes to the consolidated financial statements.

**MEDICAL ALARM CONCEPTS HOLDING, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(Unaudited)

|  | <b>For the Three Months Ended<br/>December 31,</b> |               | <b>For the Six Months Ended<br/>December 31,</b> |              |
|--|--|---------------|--|--------------|
|  | <b>2011</b>  | <b>2010</b>   | <b>2011</b>                                      | <b>2010</b>  |
|  | (As restated)                                      |               | (As restated)                                    |              |
| Revenue  | \$ 79,546  | \$ 106,700    | \$ 117,661                                       | \$ 201,333   |
| Cost of revenue  | 36,869   | 42,341        | 49,727   | 84,352       |
| Gross profit   | 42,677   | 64,359        | 67,934   | 116,981      |
| <b>Operating expenses</b>                                    |  |               |  |              |
| Selling expense  | 3,695  | 388,880       | 30,549   | 531,784      |
| General and administrative                                   | 94,029   | 316,480       | 391,340  | 567,966      |
| Total operating expenses                                     | 97,724   | 705,360       | 421,889  | 1,099,750    |
| Loss from operations   | (55,047  | ) (641,001    | ) (353,955                                       | ) (982,769 ) |
| Other (income) expense                                       |  |               |  |              |
| Change in fair value of derivative instrument                | 27,295,815   | (219,724      | ) 31,456,974                                     | (565,872 )   |
| Interest (income) expense                                    | 80,260   | 72,143        | 805,666  | 143,316      |
| Gain on sale of subscriber accounts                          | -  | -             | (128,362   | ) -          |
| Other (income) expense, net                                  | 27,376,075   | (147,581      | ) 32,134,278                                     | (422,556 )   |
| Loss before income taxes                                     | (27,431,122  | ) (493,420    | ) (32,488,233 )                                  | (560,213 )   |
| Income tax provision   | -  | -             | -  | -            |
| Net loss   | \$ (27,431,122                                     | ) \$ (493,420 | ) \$(32,488,233 )                                | \$(560,213 ) |
| Net loss per common share – basic and diluted                | \$ (0.068  | ) \$ (0.002   | ) \$(0.08  | ) \$(0.002 ) |
| Weighted average number of common shares – basic and diluted | 405,704,556  | 285,362,723   | 389,439,338                                      | 247,132,983  |

See accompanying notes to the consolidated financial statements.

**MEDICAL ALARM CONCEPTS HOLDING, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

|   | <b>For the Six Months<br/>Ended December 31,</b> |                 |
|---|--|-----------------|
|   | <b>2011</b>                                      | <b>2010</b>     |
|   | (As restated)                                    |                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |  |                 |
| Net loss  | \$(32,488,233)                                   | \$(560,213)     |
| Adjustments to reconcile net loss to net cash used in operating activities: |  |                 |
| Common stock issued for services  | 23,946   | 342,150         |
| Change in fair value of derivative instrument                               | 31,456,974                                       | (565,872)       |
| Amortization of patent  | 39,252   | 208,333         |
| Non-cash interest expense   | 686,696  | 68,316          |
| Depreciation  | 2,625  | 2,625           |
| Change in operating assets and liabilities                                  |  |                 |
| Accounts receivable   | (2,226 )   | 10,370          |
| Inventory   | 10,537   | 27,642          |
| Prepaid expenses  | -  | 121,754         |
| Accounts payable  | 4,184  | 39,334          |
| Accrued expenses and other current liabilities                              | 68,874   | 48,272          |
| Deferred revenue  | (24,700 )  | (4,396 )        |
| Net Cash Used in Operating Activities                                       | (222,071 )                                       | (261,685)       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                 |  |                 |
| Restricted cash   | -  | 35,150          |
| Due to affiliate  | -  | 8,250           |
| Proceeds from convertible notes   | 222,208  | -               |
| Common stock to be issued   | -  | 15,000          |
| Due to officer  | -  | 20,630          |
| Sale of preferred stock   | -  | 182,655         |
| Net Cash Provided By Financing Activities                                   | 222,208  | 261,685         |
| <b>NET INCREASE (DECREASE) IN CASH</b>                                      | <b>137</b>                                       | <b>-</b>        |
| <b>CASH AT BEGINNING OF PERIOD</b>  | <b>22</b>  | <b>-</b>        |
| <b>CASH AT END OF PERIOD</b>  | <b>\$159</b>                                     | <b>\$-</b>      |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                     |  |                 |
| <b>CASH PAID FOR INTEREST EXPENSE</b>                                       | <b>\$111,000</b>                                 | <b>\$75,000</b> |



|   |         |     |
|---|---------|-----|
| CASH PAID FOR INCOME TAXES  | \$-     | \$- |
| CONVERTIBLE NOTES CONVERTED TO COMMON STOCK   | \$3,720 | \$- |
| DERIVATIVE LIABILITY CLASSIFIED TO ADDITIONAL PAID-IN CAPITAL<br>UPON CONVERSION OF RELATED CONVERTIBLE NOTES | \$8,178 | \$- |

See accompanying notes to the consolidated financial statements.

**MEDICAL ALARM CONCEPTS HOLDING, INC.**

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

**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.

**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.

These interim consolidated financial statements are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) and disclosures necessary for a fair presentation of these interim consolidated financial statements have been included. The results reported in the consolidated financial statements for any interim periods are not necessarily indicative of the results that may be reported for the entire year or any other periods. The (a) consolidated balance sheet as of June 30, 2011, which was derived from audited financial statements, and (b) the unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying footnotes included in the Company's Annual Report on Form 10-K for the year ended June 30, 2011.

Certain amounts included in prior period financial statements have been reclassified to conform with current period financial statements presentation.

### **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 and deferred taxes and related valuation allowances. 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.

### **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 December 31, 2011.

## **MEDICAL ALARM CONCEPTS HOLDING, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

#### **Impairment of long-lived assets**

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

The Company assesses the recoverability of its long-lived assets by comparing the projected undiscounted net cash flows associated with the related long-lived asset or group of long-lived assets over their remaining estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. Fair value is generally determined using the asset's expected future 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 impairment of long-lived assets as of December 31, 2011.

#### **Derivative warrant liability**

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

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

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

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

### **Fair Value of Financial Instruments**

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

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

## **MEDICAL ALARM CONCEPTS HOLDING, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

(Unaudited)

The carrying amounts of the Company's financial assets and liabilities, such as cash, accounts receivable, stock subscription receivable, prepaid expenses, accounts payable, bank overdraft, deferred revenues and accrued liabilities, approximate their fair values because of the short maturity of these instruments. The Company's convertible notes payable approximate the fair value of such instruments based upon management's best estimate of interest rates that would be available to the Company for similar financial arrangements at December 31, 2011.

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

#### **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 Accounting Standards Codification for revenue recognition. The Company will recognize revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when it has persuasive evidence of an arrangement that the services have been rendered to the customer, the sales price is fixed or determinable, and collectability is reasonably assured.

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 Accounting Standards Codification. While amounts charged to customers for shipping products are included in revenues, the related costs are classified in cost of goods sold as incurred.

### **Stock-Based Compensation**

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.

**MEDICAL ALARM CONCEPTS HOLDING, INC.**

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

**Net Loss per Common Share**

Net loss per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net loss per common share is computed by taking net loss divided by the weighted average number of common shares outstanding for the period. Diluted net loss per common share is computed by dividing net loss by the weighted average number of shares of common stock and potentially outstanding shares of common stock during the period to reflect the potential dilution that could occur from common shares issuable through stock options, warrants, and convertible debt. These potential shares of common stock were not included as they were anti-dilutive.

**3. GOING CONCERN**

These consolidated financial statements are presented on the basis that the Company 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 reflected in the accompanying consolidated financial statements, the Company has negative working capital of \$33,036,358, did not generate cash from its operations, had stockholders' deficit of \$34,477,430 and had operating loss for past two years. These circumstances 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.

#### **4. PATENT**

On July 10, 2008, the Company entered into a Purchase Agreement and Patent Assignment Agreement (the "Agreement") to be effective July 31, 2008. The Company is obligated to pay the seller \$2,500,000 on June 30, 2012. The Agreement specifies interest of 6% to be payable monthly, commencing on July 31, 2008. The seller will reacquire all patents and applications if payment is not made on June 30, 2012. On September 24, 2013, this due date was extended to December 31, 2013.

The patent is being amortized over its estimated useful life. During the quarter ended June 30, 2011, estimated useful life of the patent was changed from six years to twenty years due to change of accounting estimates. Amortization of patent aggregated \$39,252 and \$208,333 for the period ended December 31, 2011 and 2010 respectively.

Patent, stated at cost, less accumulated amortization at December 31, 2011 and June 30, 2011, consisted of the following:

|                                | December<br>31, 2011 | June 30,<br>2011 |
|--------------------------------|----------------------|------------------|
| Patent                         | \$2,500,000          | \$2,500,000      |
| Less: accumulated amortization | (1,204,708)          | (1,165,456)      |
|                                | \$1,295,292          | \$1,334,544      |

#### **5. CONVERTIBLE NOTES PAYABLE**

During the period ended December 31, 2011, the Company issued promissory convertible notes to existing shareholders for total amount of \$217,208 and a new investor for \$5,000. 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 from \$0.0002 to \$0.0041, or seventy five percent (75%) of the average of the closing bid price of the common stock as reported by Bloomberg LP for the principal market for the 5 trading days preceding the conversion date. As part of this transaction the Company also issued to the subscriber a warrant to purchase 60,755,974 shares and 1,219,512 of common stock to existing shareholders and a new investor, respectively. The warrant exercise price is between \$0.0002 to \$0.0041 per share.

**MEDICAL ALARM CONCEPTS HOLDING, INC.**

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

On September 16, 2011, the Company and one of its convertible notes holders (“Note holder”), entered into an Amendment Agreement, pursuant to which (1) the fixed Conversion Price of certain convertible notes dated approximately March 2009, June 2011, July 2011 and August 2011” and (2) Exercise Price of attached Warrants have been adjusted to \$0.0002. The maturity dates of those convertible notes have been extended for two years from their original maturity dates. The maturity dates of attached warrants have been extended for five years from their original maturity dates.

On April 23, 2012, the Company and the Note holder entered into another Amendment Agreement, which further clarified scope covered by the Amendment Agreement dated September 16, 2011 to include convertible notes and warrants issued in September 2011 in the Amendment Agreement.

In addition, based on certain term included in the related Security Purchase Agreement, the conversion price of all convertible notes and the exercise price of all warrants issued prior to September 16, 2011 should be reduced to \$0.0002.

As a result of the two Amendment Agreements and certain term of related Security Purchase Agreement, (1) the conversion price of all convertible notes and (2) the exercise price of attached warrants, which were dated on or before September 16, 2011 has been changed to \$0.0002. The maturity dates of convertible notes have been extended for two years from their original maturity dates and maturity dates of attached warrants have been extended for five years from original maturity dates.

During the period ended December 31, 2011, two holders of promissory convertible notes converted principal amount of \$3,720 into 18,600,000 shares of common stock. The promissory notes converted were originally issued March 30, 2009.

The following table summarizes the convertible promissory notes movement:

|                              |           |
|------------------------------|-----------|
| Balance at June 30, 2011     | 247,598   |
| Convertible notes issued     | 222,208   |
| Convertible notes converted  | (3,720 )  |
| Total                        | 466,086   |
| Less: debt discount          | (216,132) |
| Balance at December 31, 2011 | 249,954   |

## **6. DERIVATIVE WARRANT LIABILITY AND FAIR VALUE**

The Company has evaluated the application of ASC 815 Derivatives and Hedging (formerly SFAS No. 133) and ASC 815-40-25 to the Warrants to purchase common stock issued with the 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.

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 of \$637,600 has been included as a component of interest expense in the statement of comprehensive loss. During the period ended December 31, 2011, the Company recorded \$31,912,926 into other expense, resulting from changes of fair value of derivative instrument; comparably during the same period of 2010, the Company recorded other income of \$565,872.

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                    |
|-------------------|---------------------|----------------------------|--|--|--|
| -                 | 279% - 422.38%      | 0.07%/1 year               | As set forth by each promissory note agreement | between \$0.0002 to \$0.0041 per share | As set forth by each promissory note agreement |

0.35%/2 years

0.5%/3 years

## **7. RELATED PARTY TRANSACTIONS**

During the period ended December 31, 2010, the Company borrowed from the chief executive officer a net amount of \$20,630 on advances. As of December 31, 2010, the outstanding balance is \$44,630. The advances bear no interest and are payable on demand.

During the period ended December 31, 2011, the Company issued convertible notes to certain shareholders. See Note 5.

## **8. INCOME TAX**

The reconciliation of income tax benefit at the U.S. statutory rate of 34% for the period ended December 31, 2011 and 2010 to the Company's effective tax rate is as follows:

**MEDICAL ALARM CONCEPTS HOLDING, INC.**

## NOTES TO FINANCIAL STATEMENTS

(Unaudited)

|  | Six months<br>ended December<br>31, |          |
|--|-------------------------------------|----------|
|  | 2011                                | 2010     |
| U.S. federal statutory rate              | (34.0 )%                            | (34.0 )% |
| State income tax, net of federal benefit | (9.99 )%                            | (9.99 )% |
| Change in valuation allowance            | 43.99 %                             | 43.99 %  |
| Income tax provision (benefit)           | 0.0 %                               | 0.0 %    |

The benefit for income tax is summarized as follows:

|                                | Six months ended<br>December 31, |           |
|--------------------------------|----------------------------------|-----------|
|                                | 2011                             | 2010      |
| Federal:                       |                                  |           |
| Current                        | \$-                              | \$-       |
| Deferred                       | (1,055,690)                      | (190,472) |
| State and local:               |                                  |           |
| Current                        | -                                | -         |
| Deferred                       | (310,187 )                       | (55,965 ) |
| Change in valuation allowance  | 1,365,877                        | 246,437   |
| Income tax provision (benefit) | \$-                              | \$-       |

As of December 31, 2011, the Company had approximately \$10 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.

## **9. COMMON STOCK**

On October 6, 2011, 18,600,000 shares of common stocks were issued resulting from conversion of \$3,720 of convertible notes. The effect of the derivative liability of the embedded conversion features of \$8,178 was charged to additional paid-in capital.

On October 6, 2011, 16,200,000 shares of common stocks were issued to two service provider as consideration to services to the Company, which were valued at \$41,800. The costs were amortized over service period of six months.

## **10. RESTATEMENT OF FINANCIAL STATEMENT**

The management of the Company has concluded that we should restate our financial statements as of and for the three months ended December 31, 2011. The conclusion was reached by management because they determined that fair market value of convertible notes and warrants were improperly valued as of December 31, 2011.

On September 16, 2011, the Company and one of its convertible notes holders ("Note holder"), entered into an Amendment Agreement, pursuant to which (1) the fixed Conversion Price of certain convertible notes dated approximately March 2009, June 2011, July 2011 and August 2011" and (2) Exercise Price of attached Warrants have been adjusted to \$0.0002. The maturity dates of those convertible notes have been extended for two years from their original maturity dates. The maturity dates of attached warrants have been extended for five years from their original maturity dates.

On April 23, 2012, the Company and the Note holder entered into another Amendment Agreement, which further clarified scope covered by the Amendment Agreement dated September 16, 2011 to include convertible notes and warrants issued in September 2011 in the Amendment Agreement.

In addition, based on certain term included in the related Security Purchase Agreement, the conversion price of all convertible notes and the exercise price of all warrants issued prior to September 16, 2011 should be reduced to

\$0.0002.

As a result of the two Amendment Agreements and certain term of related Security Purchase Agreement, (1) the conversion price of all convertible notes and (2) the exercise price of attached warrants, which were dated on or before September 16, 2011 has been changed to \$0.0002. The maturity dates of convertible notes have been extended for two years from their original maturity dates and maturity dates of attached warrants have been extended for five years from original maturity dates.

The price adjustment was not taken into consideration during the calculation of fair market value of derivative liabilities of convertible notes and warrants at December 31, 2011. This restatement reflects the correction of this calculation.

The effect of the restatement on specific line items in the financial statements as of December 31, 2011 and for the six and three months ended December 31, 2011 is set forth in the table below:

#### Consolidated Balance Sheet

December 31, 2011

|                             | Previously<br>Reported | Adjustments    | As Restated    |
|-----------------------------|------------------------|----------------|----------------|
| Derivative liability        | \$3,253,173            | \$29,383,263   | \$32,636,436   |
| Total current liability     | \$3,672,645            | \$29,383,263   | \$33,055,908   |
| Total liabilities           | \$6,422,599            | \$29,383,263   | \$35,805,862   |
| Accumulated deficit         | \$(10,127,223)         | \$(29,383,263) | \$(39,510,486) |
| Total shareholders' deficit | \$(5,094,167 )         | \$(29,383,263) | \$(34,477,430) |

**MEDICAL ALARM CONCEPTS HOLDING, INC.**

## NOTES TO FINANCIAL STATEMENTS

(Unaudited)

Consolidated Statement of Comprehensive  
Loss  
For the three months ended December 31,  
2011

|   | Previously<br>Reported | Adjustments    | As Restated    |
|---|------------------------|----------------|----------------|
| Change in fair value of derivative instrument | \$1,615,211            | \$25,680,604   | \$27,295,815   |
| Other (income) expense                        | \$1,695,471            | \$25,680,604   | \$27,376,075   |
| Loss before income tax                        | \$(1,750,518)          | \$(25,680,604) | \$(27,431,122) |
| Net loss                                      | \$(1,750,518)          | \$(25,680,604) | \$(27,431,122) |

Consolidated Statement of Comprehensive  
Loss  
For the six months ended December 31,  
2011

|   | Previously<br>Reported | Adjustments    | As Restated    |
|---|------------------------|----------------|----------------|
| Change in fair value of derivative instrument | \$2,529,663            | \$28,927,311   | \$31,456,974   |
| Interest (income) expense                     | \$349,714              | \$455,952      | \$805,666      |
| Other (income) expense                        | \$2,751,015            | \$29,383,263   | \$32,134,278   |
| Loss before income tax                        | \$(3,104,970)          | \$(29,383,263) | \$(32,488,233) |
| Net loss                                      | \$(3,104,970)          | \$(29,383,263) | \$(32,488,233) |

Consolidated Statement of Cash Flows  
For the six months ended December 31,  
2011

|   | Previously<br>Reported | Adjustments    | As Restated    |
|---|------------------------|----------------|----------------|
| Net loss                                      | \$(3,104,970)          | \$(29,383,263) | \$(32,488,233) |
| Change in fair value of derivative instrument | \$2,529,663            | \$28,927,311   | \$31,456,974   |
| Non-cash interest expense                     | \$230,744              | \$455,952      | \$686,696      |

**11. SUBSEQUENT EVENT**



January 12, 2012 – 20,000,000 common shares issued for conversion of \$4,000 of convertible debt. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

February 13, 2012 – 20,000,000 common shares issued for conversion of \$4,000 of convertible debt. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

On March 9, 2012 - The Company determined that it would not be in the best interest of common shareholders to complete its proposed merger with Texas-based, First Fitness Nutrition. This decision was based mainly to the excessive amount of common shareholder dilution that would occur if the merger closed. Under the terms of the non-binding memorandum of understanding signed between the Companies on November 9, 2011, the Company supplied FirstFitness Nutrition with a \$140,000 capital infusion in the form of a 12-month 10% interest-bearing note due on January 4, 2013. In the event of default, the loan shall bear interest on each day at the rate of 20% per annum. Borrower agrees that all property of Borrower which may hereafter be deposited with or come into the possession of Lender shall be applicable to secure the payment of the Loan, and for this purpose Lender is hereby given a lien on and a security interest in all property of Borrower which may hereafter be deposited with or come into the possession of Lender, and for such purpose this Agreement shall constitute a security agreement under the Uniform Commercial Code.

March 12, 2012 – 12,000,000 common shares issued for conversion of \$2,400 of convertible debt. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

March 14, 2012 – 4,000,000 shares of restricted common stock were issued to a consultant, Paul Hepler, for services rendered. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction and are restricted from sale for a period of one year from the date of issue. The shares were valued at fair market value of \$0.004. The cost will be amortized over the service period of one year.

March 14, 2012 – 6,000,000 shares of restricted common stock were issued to a consultant, Thomas Shea, for services rendered. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction and are restricted from sale for a period of one year from the date of issue. The shares were valued at fair market value of \$0.004. The cost will be amortized over the service period of one year.

**MEDICAL ALARM CONCEPTS HOLDING, INC.**

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

April 9, 2012 – 31,500,000 common shares issued for conversion of \$6,300 of convertible debt. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

April 27, 2012 – 15,000,000 common shares issued for conversion of \$3,000 of convertible debt. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

April 27, 2012 – 4,000,000 shares of restricted common stock were issued to a consultant, Paul Hepler, for services rendered. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction and are restricted from sale for a period of one year from the date of issue. The shares were valued at fair market value of \$0.0028. The cost will be amortized over the service period of one year.

May 1, 2012, the Company reached an agreement with holders of its convertible debt. Under the terms of the agreement, \$56,251 of convertible debt and 34,606,250 warrants were canceled. The debt holders received no common share, preferred share, warrant, option, or cash consideration for these cancellations. The cancellation of this debt and the associated warrants may allow the Company to reverse a significant portion of its derivative liability charges during the current quarter, and will likely result in significant reductions in shareholder dilution.

May 21, 2012 – 28,208,284 common shares issued for conversion of \$37,525 of convertible debt. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

June 6, 2012 – 25,000,000 common shares issued for conversion of \$5,000 of convertible debt. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

July 13, 2012 - 28,430,000 common shares issued for conversion of \$9,350 of convertible debt. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

July 13, 2012 – 17,100,000 common shares issued for a new equity investment in the Company. The securities described above were issued to “accredited” investors, as such term is promulgated by the SEC. In reliance upon such accredited investor’s representation as an “accredited investor,” among other representations, the offer and issuance of the securities described above are exempt from the registration requirements under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to Section 4(2) thereof and in reliance upon Rule 506 of Regulation D promulgated by the SEC. No natural person beneficially or entity owns, directly or indirectly, more than 10% of any class of equity securities.

August 3, 2012, the Company reached an agreement with various investors in the Corporation who held certain rights to buy common stock in the Corporation (Warrant Holders). The Warrant Holders and the Company agreed that it is in the best interests of the Warrant Holders, the Corporation and common stockholders to cancel a total of 60.825 million warrants.

All of these warrants had strike prices that were above the closing bid price on the day before the agreement was reached, thus were considered “in the money” warrants. No compensation of any type was given to Warrant Holders who canceled their warrant positions. These warrants were granted on the following dates in the following amounts:

|                    |            |
|--------------------|------------|
| June 8, 2011       | 3,658,536  |
| June 21, 2011      | 619,024    |
| June 21, 2011      | 975,609    |
| July 27, 2011      | 1,219,512  |
| August 1, 2011     | 17,926,829 |
| August 16, 2011    | 1,219,512  |
| August 29, 2011    | 731,707    |
| September 7, 2011  | 3,048,780  |
| September 16, 2011 | 20,731,707 |
| September 21, 2011 | 4,444,444  |
| September 26, 2011 | 6,250,000  |

**MEDICAL ALARM CONCEPTS HOLDING, INC.**

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

August 21, 2012 – 21,000,000 common shares issued for conversion of \$4,200 of convertible debt. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

September 17, 2012 – 30,000,000 common shares issued for conversion of \$6,000 of convertible debt. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

October 2, 2012 – 14,250,000 common shares issued for conversion of \$2,850 of convertible debt. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

November 16, 2012 - The Company issued promissory notes to an accredited investor for a cash investment of \$58,000 into the Company, a form which is convertible into shares of the Company's common stock at a fixed conversion price equal to the lesser of the fixed conversion price of \$0.0014, 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. As part of this transaction the Company also issued to the subscriber a warrant to purchase an additional 41,000,000 shares of common stock at \$0.0014.

November 29, 2012 - 49,192,308 common shares issued for conversion of convertible debt. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

In February 19, 2013 - The Company reached agreements with holders of notes dated September 2, 2011 and November 15, 2012. The terms of the agreements call for cancellation of 1,219,512 warrants relative to the September 2, 2011 Note and the cancellation of 27,619,048 warrant associated with the November 15, 2012 Note.

On February 20, 2013 - The Company issued 20 million common shares for conversion of \$4,000 of convertible debt relating to notes dated March 31, 2009. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

On March 4, 2013 - The Company issued 890,774 shares for the exercise of warrants. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

On March 4, 2013 - The Company issued 4,225,000 common shares for conversion \$845 convertible note dated June 8, 2011. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

On March 4, 2013 - The Company issued 188,175 shares for the exercise of warrants relating to a warrant agreement entered into on June 8, 2011. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

On March 4, 2013 - The Company issued 20,000,000 common shares for conversion of \$4,000 of convertible debt. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

On March 4, 2013 - The Company issued 2,816,901 shares for the exercise of cashless warrants. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

On March 6, 2013 – The Company announced it has received an investment led by a strategic partner. Under the terms of the agreement the three investor groups purchased 533,764,510 restricted common shares for a price \$307,500. The company received gross proceeds of \$307,500 upon closing as there were no sales commissions or brokerage fees paid to any party. The Company plans to offer up to an additional 39,059,490 common stock at similar terms and may from time to time complete additional investor common stock purchase agreements. Securities purchased in this Offering may not be transferred or resold except as permitted under The Securities Act of 1933, as amended, and applicable state securities laws, pursuant to registration or exemption therefrom. Securities purchased in this Offering will be legended to reflect the foregoing rights and obligations. The Company reserves the right to accept or reject any subscription in its sole discretion for any reason whatsoever and to withdraw this Offering at any time prior to the acceptance of the subscriptions received. Subscription funds paid by a Subscriber whose subscription is rejected will be returned promptly without interest or deduction. The Securities Purchase Agreement contains customary representations and warranties and covenants of the Company and the Buyers. Pursuant to the terms of the Securities Purchase Agreement, the Company has agreed to provide customary indemnification to the Buyers, their affiliates and agents against certain liabilities.

On April 3, 2013, the Company reached an agreement with the holder of its revolving credit line. The parties agreed it was in the best interest of both parties to cancel repayment of \$236,397 of the balance of the revolving credit line carrying a percent simple annualized interest, due and payable on December 31, 2014.



**MEDICAL ALARM CONCEPTS HOLDING, INC.**

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

On May 17, 2013, as also disclosed in the Medical Alarm Concepts Holdings, Inc. (the “Company”) definitive Schedule 14C Information Statement dated May 17, 2013, a majority in interest of the Common Stock holders approved an amendment to its Articles of Incorporation. The amendment is effective upon the filing of the Amended and Restated Articles of Incorporation with the Nevada Secretary of State. On June 7, 2013, the Company filed an Amendment to its Articles of Incorporation (the “Amendment”) with the Nevada Secretary of State, affecting the increase of its authorized number of shares of Common Stock (the “Authorized Share Increase”). This amendment to the Company’s Articles of Incorporation increased the number of the Company’s authorized shares of common stock, par value \$0.001 per share, from 800,000,000 to 1,400,000,000.

On May 28, 2013, the Company entered into an agreement with holders of its convertible debentures canceling all remanding warrants outstanding related to convertible notes dated March 2009 and all convertible notes dated at any time during 2011, 2012, or 2013. As of this date, all warrants outstanding have been cancelled.

On June 6, 2013 and June 18, 2013, the Company issued a total of 25,000,000 common shares for conversion of \$5,000 of debt relating to notes dated July 27, 2011. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

June 24, 2013, the company issued 69 million shares for conversion of \$13,800 of convertible debt. The shares have not been registered under the Securities Act and were not registered or qualified in any jurisdiction.

On June 25, 2013, the Company issued 481,674,510 restricted shares to various investors. The Company received total proceeds of \$277,500. Securities purchased in this offering may not be transferred or resold except as permitted under The Securities Act of 1933, as amended, and applicable state securities laws, pursuant to registration or exemption therefrom. Securities purchased in this Offering will be legended to reflect the foregoing rights and obligations. The Securities Purchase Agreement contains customary representations and warranties and covenants of the Company and the Buyers. Pursuant to the terms of the Securities Purchase Agreement, the Company has agreed to provide customary indemnification to the Buyers, their affiliates and agents against certain liabilities.

On August 14, 2013, the Company issued 7,269,231 restricted common shares to various investors for \$16,400. Securities purchased in this offering may not be transferred or resold except as permitted under The Securities Act of 1933, as amended, and applicable state securities laws, pursuant to registration or exemption therefrom. Securities purchased in this Offering will be legended to reflect the foregoing rights and obligations. The Securities Purchase Agreement contains customary representations and warranties and covenants of the Company and the Buyers. Pursuant to the terms of the Securities Purchase Agreement, the Company has agreed to provide customary indemnification to the Buyers, their affiliates and agents against certain liabilities.



**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

*This Quarterly Report on Form 10-Q for the six months ended December 31, 2011 contains "forward-looking statements" within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended, including statements that include the words "believes," "expects," "anticipates," or similar expressions. These forward-looking statements include, among others, statements concerning our expectations regarding our working capital requirements, financing requirements, business, growth prospects, competition and results of operations, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The forward-looking statements in this Quarterly Report on Form 10-Q for the six months ended December 31, 2011 involve known and unknown risks, uncertainties and other factors that could cause our actual results, performance or achievements to differ materially from those expressed in or implied by the forward-looking statements contained herein.*

**Overview and Recent Events**

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

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

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

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

During December of 2011, the Company announced the MediPendant® would be distributed by Costco Wholesale Corporation. Costco is one of the largest retailers in not only the United States, but throughout the world with approximately 60,000,000 customers. The Company's relationship with this retailer has been very strong and sales are occurring on a daily basis, customer return rates are low and customer satisfaction is high. This relationship with Costco is advantageous not only because of the retailer's distribution reach, but also due to positive cash flow upon initial sale that is realized; a situation that is rarely achieved in the medical alarm space. Sales and shipments occur on a consistent basis. Early in the March 2013 quarter, the Company successfully completed a retail promotion with this large discount warehouse chain partner. An additional program began late in the March 2013 quarter and ran through April 21, 2013. During June of 2013, the MediPendant® product was featured in the retailer's pharmacy-oriented sales magazine, which is being distributed in the pharmacy section in all store locations. The MediPendant® has now received 22 product reviews on the retailer's website, 18 of which are "5 out of 5 Star" ratings. The average rating is "4.5 Stars" out of 5 Stars.

The Company has also had successes internationally with new distribution agreements in Denmark and Ireland. Additionally, the Company is currently working on a distribution/joint venture with JTT-EMS, which is a company located just outside of Beijing, China. Medical Alarm Concepts is expecting steady growth from its international markets during 2013. The Company also distributes the MediPendant® through Internet marketing and through various outside call centers. Significant investment is planned to expand sales opportunities relative to these areas.

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

The Company recently 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, will 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.

Management has been very successful in negotiating with debt holders for the cancellation of very significant portions of our debt. Since the beginning of 2012, approximately \$56,251 of convertible debt has been cancelled. Recently, the holder of our short-term credit line cancelled \$236,397 of the outstanding balance. Additionally, since beginning of 2012, approximately 200,000,000 toxic and highly dilutive warrants were also cancelled. No shares, warrants or options were granted in exchange for these cancellations.

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 2013 to be one of 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 and the positive operating cash flow we are currently realizing is sustainable into 2014 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 reflected in the accompanying consolidated financial statements, the Company has negative working capital of \$33,036,358, did not generate cash from its operations, had stockholders' deficit of \$34,477,430 and had operating loss for past two years. These circumstances 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.

## **Results of Operations**

### **Results of Operations for Three Months Ended December 31, 2011 and 2010**

#### *Net Sales*

Net sales generated during the quarters ended December 31, 2011 and 2010 was \$79,546 and \$106,700, respectively; representing a 25% or \$27,154 decrease, resulting from a change in strategic business direction toward more spread 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 three months ended December 31, 2011 and 2010, 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 Sales***

Cost of sales incurred during quarters ended December 31, 2011 and 2010 were \$36,869 and \$42,341, respectively, representing a 13% or \$5,472 decrease. The decrease of cost of sales was mainly due to decrease of net sales, as the Company changed its strategic business direction more toward sales to consumers who pay monthly monitoring services.

### ***Gross Profit***

Gross profit generated during quarters ended December 31, 2011 and 2010 was \$42,677 and \$64,359, representing a 34% or \$21,682 decrease. The gross profit margin for 2011 and 2010 was 54% and 60%, respectively.

### ***General and Administration***

General and administrative expenses for quarters ended December 31, 2011 and 2010 were \$94,029 and \$316,480, respectively; representing 70% or \$222,451 decrease in general and administrative expense mainly due to the decreased consulting and professional fees.

### ***Selling Expenses***

Selling expenses incurred during quarters ended December 31, 2011 and 2010 was \$3,695 and \$388,880, respectively. The \$385,185 was a 99% decrease compared to the previous period. During quarter ended December 31, 2011, the Company began to shift its sales emphasis more toward consumer marketing, which contributed to the reduction in sales expenses.

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

Changes in fair value of derivative instrument generated \$27,295,815 expense and \$219,724 income during quarters ended December 31, 2011 and 2010, respectively. This was due to a higher value of the derivative liability due to increase of stock price on December 31, 2011.

***Interest Income/Expenses***

Interest expense for quarter ended December 31, 2011 was \$80,260; comparably, the interest expense was \$72,143 for the three months ended December 31, 2010. The \$8,117 change in interest expense was mainly due to increased amount of amortization of discount of convertible notes.

***Net Loss***

Net loss incurred during quarters ended December 31, 2011 and 2010 were \$27,431,122 and \$493,420, respectively for the reasons stated above.

**Results of Operations for Six Months Ended December 31, 2011 and 2010**

***Net Sales***

Net sales generated during the six months ended December 31, 2011 and 2010 was \$117,661 and \$201,333, respectively; representing a 42% or \$83,672 decrease, resulting from a change in strategic business direction toward more spread 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 six months ended December 31, 2011 and 2010, 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 Sales***

Cost of sales incurred during six months ended December 31, 2011 and 2010 were \$49,727 and \$84,352, respectively, representing a 41% or \$34,625 decrease. The decrease of cost of sales was mainly due to decrease of net sales, as the Company changed its strategic business direction more toward sales to consumers who pay monthly monitoring services.

### ***Gross Profit***

Gross profit generated during six months ended December 31, 2011 and 2010 was \$67,934 and \$116,981, representing a 42% or \$49,047 decrease. The gross profit margin for 2011 and 2010 was 58% and 58%, respectively.

### ***General and Administration***

General and administrative expenses for six months ended December 31, 2011 and 2010 were \$391,340 and \$567,966, respectively; representing 31% or \$176,626 decrease in general and administrative expense mainly due to the decreased consulting and professional fees.

### ***Selling Expenses***

Selling expenses incurred during six months ended December 31, 2011 and 2010 was \$30,549 and \$531,784, respectively. The \$501,235 was a 94% decrease compared to the previous period. During six months ended December 31, 2011, the Company began to shift its sales emphasis more toward consumer marketing, which contributed to the reduction in sales expenses.

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

Changes in fair value of derivative instrument generated \$31,456,974 expense and \$565,872 income during six months ended December 31, 2011 and 2010, respectively. This was due to a higher value of the derivative liability,

due to increase of stock price on December 31, 2011.

### ***Interest Income/Expenses***

Interest expense for six months ended December 31, 2011 was \$805,666; comparably, the interest expense was \$143,316 for the six months ended December 31, 2010. The \$662,350 or 462% increase in interest expense was mainly due to increased amount of amortization of discount of convertible notes and interest expense recorded on the excess of derivative liability over the amount of the convertible debt.

### ***Gain on Sale of Subscriber Accounts***

Gain on sale of subscriber accounts for six months ended December 31, 2011 and 2010 was \$128,362 and \$nil, respectively.

### ***Net Loss***

Net loss incurred during six months ended December 31, 2011 and 2010 were \$32,488,233 and \$560,213, respectively for the reasons stated above.

### **Liquidity and Capital Resources**

As of December 31, 2011 and June 30, 2011, we had \$159 and \$22 in cash, respectively.

During quarter ended December 31, 2011, operating activities used net cash of \$222,071; comparably, during the same period of 2010, the Company's operating activities used net cash of \$261,685. Main reasons for the change in net cash of operating activities were outlined below:

1. Changes in fair value of derivative instrument during six months ended December 31, 2011 generated non-cash expense of \$31,456,974; however, during the same period of 2010, such changes incurred non-cash income of \$565,872;



2. During the six months ended December 31, 2011 and 2010, amortization of patents generated non-cash loss of \$39,252 and \$208,333, respectively.

3. During the period ended December 31, 2010, the decrease in prepaid expenses generated net cash inflow of \$121,754, there was no similar income during the comparable period of 2011.

During six months ended December 31, 2011 and 2010, financing activities generated net cash inflow of \$222,208 and \$261,685, respectively. Main reasons for the change in net cash provided in financing activities were outlined below:

1. During six months ended December 31, 2010, the Company borrowed \$20,630 from its officers; there was no transaction in similar nature during the same period of 2011;

2. During six months ended December 31, 2011, the Company raised \$222,208 by issuing several promissory notes to a number of accredited investors;

3. During six months ended December 31, 2010, the Company raised \$182,655 through sales of preferred stocks and \$15,000 from stock to be issued.

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

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

### **Off-Balance Sheet Arrangements**

At December 31, 2011, 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 if we had engaged in such relationships.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required for smaller reporting companies.

### **Item 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls.*

Our management, under the supervision and with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), has evaluated the effectiveness of our disclosure controls and procedures as defined in SEC Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this Quarterly Report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities Exchange Act of 1934 (“Exchange Act”) is recorded, processed, summarized, and reported within the time periods specified in the SEC’s forms, and that such information is accumulated and communicated to our management including our CEO and CFO, to allow timely decisions regarding required disclosures. Based on their evaluation, our CEO and CFO have concluded that, as of December 31, 2011, our disclosure controls and procedures were ineffective.

Our management has conducted, with the participation of our CEO and CFO, an assessment, including testing of the effectiveness, of our disclosure controls and procedures as of December 31, 2011. Based on such evaluation, management identified deficiencies that were determined to be a material weakness.

A material weakness is a deficiency, or a combination of deficiencies, in disclosure controls and procedures, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. Because of the material weaknesses described below, management concluded that our disclosure controls and procedures were ineffective as of December 31, 2011.

The specific material weakness identified by the Company’s management as of December 31, 2011 are described as follows:

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 causing the improper valuation of the fair market value of convertible notes and warrants as of December 31, 2011.

#### *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 December 31, 2011. 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 condensed 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.

#### *Changes in internal control over financial reporting.*

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART III. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

None.

## **ITEM 1A. RISK FACTORS**

Note: in addition to the other information set forth in this report, you should carefully consider the factors discussed in “Item 1A. Risk Factors” contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2011, which could materially affect our business, financial condition, or future results. During the three months ended December 31, 2011, there have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended June 30, 2011.

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

None.

### **Item 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **Item 4. Mine safety disclosures**

Not applicable.

### **Item 5. Other Information**

None.

**Item 6. Exhibits**

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

**SIGNATURES**

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

**MEDICAL ALARM CONCEPTS HOLDING, INC.**

(Registrant)

/s/ Ronnie Adams March 10, 2014 Chief Executive Officer and Chief Financial Officer  
(Principal Executive Officer, Principal Financial and Accounting Officer)

/s/ Allen Polsky March 10, 2014 Director  
Allen Polsky