

instaCare Corp.
Form 10-K/A
October 08, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 2)

(Mark One)

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

For the fiscal year ended December 31, 2007

or

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

Commission file number 000-33187

instaCare Corp.

(Exact name of registrant as specified in its charter)

Nevada

91-2105842

Edgar Filing: instaCare Corp. - Form 10-K/A

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2660 Townsgate Road, Suite 300

Westlake Village, California **91361**
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (805) 466-1973

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

Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, \$0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes No

Indicate by checkmark 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

Edgar Filing: instaCare Corp. - Form 10-K/A

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's, 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

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed fiscal year. \$911,883 based on a share value of \$0.03.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 34,700,688 shares of common stock, \$0.001 par value, outstanding on March 31, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

EXPLANATORY NOTE

instaCare Corp. is filing this Amendment No. 2 to Form 10-K (the "Amendment") to amend its amended annual report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the Securities and Exchange Commission on October 1, 2008 . The purpose of this Amendment is to include exhibit 23.1, consent of instaCare's independent registered public accounting firm for its S-8 filed on August 31, 2007. Except for the cover page and this explanatory note, this Amendment continues to speak as of the original filing date and does not update the disclosures contained therein to reflect any events or results which occurred subsequent to the filing date of Amendment No. 1 to Form 10-K.

INSTACARE CORP

FORM 10-K

TABLE OF CONTENTS

| | Page |
|--|-------------|
| PART I | 5 |
| Item 1. Business | 5 |
| Item 1A. Risk Factors | 17 |
| Item B. Unresolved Staff Comments | 21 |
| Item 2. Properties | 21 |
| Item 3. Legal Proceedings | 22 |
| Item 4. Submission of Matters to a Vote of Security Holders | 22 |
| PART II | 23 |
| Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 23 |
| Item 6. Selected Financial Data | 30 |
| Item 7. Management's Discussion and Analysis of financial Condition and Results of Operations | 30 |
| Item 7A. Quantitative and Qualitative Disclosures about Market Risk | 37 |
| Item 8. Financial Statements and Supplementary Data | 37 |
| Item 9. Changes and Disagreements with Accountants on Accounting and Financial Disclosure | 38 |
| Item 9A. Controls and Procedures | 38 |
| Item 9B. Other Information | 39 |
| Part III | 39 |
| Item 10. Directors, Executive Officers and Corporate Governance | 39 |
| Item 11. Executive Compensation | 40 |
| Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters | 42 |
| Item 13. Certain Relationships and Related Transactions, and Director Independence | 43 |
| Item 14. Principal Accountant Fees and Services | 44 |
| Part IV | 44 |
| 15. Exhibits, Financial Statement Schedules | 44 |

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objections of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words may, could, estimate, intend, continue, believe, anticipate or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the dates on which they are made. We do not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made. You should, however, consult further disclosures we make in future filings of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The factors impacting these risks and uncertainties include, but are not limited to:

- increased competitive pressures from existing competitors and new entrants;
- deterioration in general or regional economic conditions;
- adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
- loss of customers or sales weakness;
- inability to achieve future sales levels or other operating results;
- the unavailability of funds for capital expenditures and/or general working capital; and

- operational inefficiencies in distribution or other systems.
 - our ability to recruit and hire key employees;
 - the inability of management to effectively implement our strategies and business plans; and
 - the other risks and uncertainties detailed in this report.
-

In this form 10-K references to instaCare , the Company , we, us, and our refer to INSTACARE CORP. and its owned Nevada corporation operating subsidiaries, Medicius, Inc., Pharma Tech Solutions, Inc., Pharmtech Direct Corp., and PDA Services, Inc.

AVAILABLE INFORMATION

We file annual, quarterly and special reports and other information with the SEC. You can read these SEC filings and reports over the Internet at the SEC's website at www.sec.gov or on our website at www.instacare.net. You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Please call the SEC at (800) SEC-0330 for further information on the operations of the public reference facilities. We will provide a copy of our annual report to security holders, including audited financial statements, at no charge upon receipt of written request to us at instaCare Corp, 2660 Townsgate Road, Suite 300, Westlake Village, California 91361.

PART I

Item 1. Business.

Overview

InstaCare Corp. (ISCR) is a nationwide prescription drug, prescription diagnostics and home testing products distributor. Our subsidiaries, Medicius, Inc., Pharma Tech Solutions, Inc., Pharmtech Direct Corp. and PDA Services, Inc. operate in several healthcare products distribution channels. We distribute brand name prescription drug and prescription diagnostics products as well as several lines of ostomy, wound care and post-surgery medical products. The company directs its marketing efforts to ambulatory and semi-ambulatory older Americans afflicted with diabetes and complications caused by diabetes and old age. The company, formerly a medical IT company with proprietary IT product lines, acquired its medical products distribution business in late 2004 through a merger with Phoenix, AZ based CareGeneration, Inc. We have grown the original CareGeneration business through subsequent acquisitions of private businesses and strategic partnerships with larger private pharmacies. We intend to acquire additional private companies in this industry to achieve our goal of becoming a full service value added DME provider of products and services.

We also offer information technology solutions in several medical care market channels by providing physicians with information at the point of care. Our products, unlike many other medical information, use palm-sized computers (PDA's), which operate on any Microsoft Mobiles "Pocket PC" based handheld device, either in a wireless or "wired" mode, which allow physicians to carry, access and update their patients' histories, medication data, and best care guidelines - *all at the point of care.*

During the last fiscal year we have executed definitive agreements with New York based R&R Drugs and Phoenix Arizona based Genrich United Pharmacy. We believe that we will be able to provide value added services to our

customers by cost reductions brought about by increased efficiencies and cross marketing opportunities.

We currently employ 3 full-time staff at our executive office located at 2660 Townsgate Road, Suite 300, Westlake Village, California 91361. We also employ one full time and six part time personnel. These people are located in Florida, California and New Jersey and act as sales and customer service representatives. Our telephone number is (805) 446-1973 and our website address is www.instacare.net.

Business Development

We were originally incorporated in the State of Nevada on March 2, 2001 as ATR Search Corporation (ATR). In June of 2002, ATR merged with Medicius, Inc. whereby Medicius remained as a wholly owned subsidiary of ATR. Following the merger the operations of Medicius were conducted through ATR and the former operations of ATR were conducted through CareTechnologies, LLC, a wholly owned subsidiary of ATR. Under the terms of the merger agreement, the stockholders of Medicius received 412,110 shares of ATR 's common stock and 103,028 warrants in exchange for 100% of the outstanding shares of Medicius ' common stock. On August 2, 2002, we amended our Articles of Incorporation to change our name from ATR to CareDecision Corporation. CareTechnologies, LLC was dissolved on May 20, 2003, but CareDecision continued conducting all operations of CareTechnologies. On November 19, 2004, we incorporated two Nevada subsidiary companies, Pharma Tech Solutions, Inc. and PDA Services, Inc. In March 2006 we incorporated an additional Nevada corporation subsidiary, Pharmtech Direct corp.

On April 1, 2005, we amended our Articles of Incorporation to change our name from CareDecision Corporation to instaCare Corp. Our common stock trades on the over-the-counter securities market through the Financial Industry Regulatory Authority Automated Quotation Bulletin Board System, under the trading symbol ISCR .

Throughout this filing all references to shares have been restated to reflect an 80:1 reverse stock split enacted on February 3, 2006.

OUR BUSINESS

We have recently focused our business attention towards providing prescription drugs, prescription diagnostics, at-home testing and medical/surgical products through several medical distribution channels. Our secondary business objective has been to provide medical information technology (IT) for use with Internet-based communication, and network software systems and applications, that reside on and function through a Windows CE-Based PDA- available from most major computer brands such as Sony, Dell, IBM and Palm -to the medical fields and the lodging and time-share real estate industries.

We are distributing prescription drugs, prescription diagnostics, at-home testing, post-surgical products and developing medical IT products that offer solutions in medical care and management by providing physicians with information at the point of care. Unlike other medical information systems using standard computer terminals, we use palm-sized computers (PDA's), which operate on any Microsoft Windows CE "Pocket PC" based handheld device, either in a wireless or "wired" mode, and allows physicians to carry, access and update their patients' histories, medication data, and best care guidelines - *all at the point of care*.

The local host for our PDA devices is a Windows (9X, NT, XP, 2003 or later) based PC, which, in turn, permits one to eight of the aforementioned PDA's to be linked to either a medical network or hotel/motel wide area network, or help-desk network, and allows each PDA to become a uniquely identified mobile node on that network, independent of PC linkage, thereby, assisting the professional, whether he be a doctor, hotel owner, hotel guest or satellite broadcast technician.

We have established a core management team experienced in all phases of health care, data management and the Web.

Through December 31, 2007, our operations have been conducted through instaCare Corp. and our subsidiaries PDA Services, Inc., Pharma Tech Solutions, Inc., Pharmtech Direct Corp. and Medicius, Inc. On June 30, 2007 we ceased operating through our subsidiary Medicius, Inc.

Our business objectives include:

1. Providing medical communication devices based on networks of personal digital assistants (PDA). These products are believed to provide benefits of on demand medical information to private practice physicians, licensed medical service providers such as diagnostic testing laboratories, and medical insurers. We have created PDA-centric products and a suite of Internet enhanced software applications that include those features that specifically respond to the requirements of the practicing physician.
2. Provide, as an emerging Internet pharmacy, retail drug prescriptions fulfillment with the goal of delivering affordable, discounted prescriptions to the millions of uninsured and underinsured consumers in the United States.
3. Combining our newly acquired wholesale and retail drug distribution with our PDA technologies, creating wholesale and retail ePharmacies similar in function to existing Internet pharmacies but directed to serving the large base of underinsured and uninsured Americans; and
- . The practice of specializing in the distribution of medical diagnostic and medical disposable products associated with the on-going care of diabetes inflicted patients now that our new prescription drug distribution business is coming on-line.

We also have adapted our medical communications technologies to service the real estate management and hotel/motel/convenience industries. Our real estate and hotel/motel objectives include building electronic commerce networks based on personal digital assistants (PDA) to the hotels, motels and single building, multi-unit apartment buildings with a desire to offer local advertising and electronic services to their tenants/guests.

Prescription Drug Distribution

On January 4, 2006, we transacted our first commerce by distributing at home diabetic test strips to the patient base then serviced by CareGeneration, Inc., the company's acquisition target. This commerce was initiated under a work-through agreement by and between us, our subsidiaries Pharma Tech Solutions, Inc. and Medicius, Inc., CareGeneration, Inc., Ronald Kelly and his Kelly Company World Group, Inc. private corporation. Subsequently, we accepted additional orders for future business and fulfilled these orders thereby building the foundation for our current business. Later, because of the issues that arose between the Company and Mr. Kelly and his controlled entities, inclusive of Mr. Kelly's failure to transfer a certain drug distribution license and Mr. Kelly's on-going competition with the Company and our subsidiary, Pharma Tech Solutions, Inc., we concluded that it would be best if the company transacted all commerce through instaCare and our wholly owned subsidiary, Medicius, Inc. The company then initiated litigation against Mr. Kelly, his daughter and others. Ultimately we reached a settlement with Mr. Kelly whereby he stipulated to pay the company \$200,000 and further agreed not to compete. This then allowed us to apply for additional drug distribution licenses in the states of New Jersey, New York, North Dakota and Arizona, in an effort to allow us to increase our operational efficiency. Also, some prescription drug distribution operations are currently being conducted through PDA Services, Inc., which is in the process of establishing a facility in Hope, North Dakota. In addition, we have established, through Pharma Tech Solutions, Inc., direct to patient prescription and prescription diagnostics fulfillment programs which are maintained in New Jersey, New York and Arizona.

Our new prescription drug distribution business came on-line during the third and fourth quarters 2006 and throughout 2007. This has in turn allowed Instacare to specialize in the distribution of medical diagnostic and medical disposable products associated with the on-going care of diabetes inflicted patients. This decision was made because the treatment and care of diabetes patients is an on-going lifetime process. Included in our current business plan is the distribution of wound care, ostomy and post-surgical products to diabetes inflicted patients and other parallel markets.

In the first quarter of 2006, we announced the execution of contracts with two large multinational pharmaceutical companies for the distribution of their lines of diabetic monitoring and testing products. We originally forecast revenues of approximately \$12 million for fiscal 2006 based upon these contracts alone. We exceeded these forecasts. We continue to purchase products for resale from these manufacturers. Our management also believes that there is potential for collateral business through these companies and is in the process of expanding its product lines accordingly. Subsequently, we entered into agreements with additional pharmaceutical companies and group medical buying organizations to add more of these diagnostic products as we further specialize into this medical niche. Further, we have recently expanded our offerings to include asthma control, coagulation testing, ostomy, post-surgical and wound care products.

Specializing in rapid delivery of prescription drugs and diagnostic products, we are in the final stages of augmenting our prescription drug and prescription diagnostics distribution business by creating a nationwide network. Through a proprietary use of the Internet, we have completed a pharma distribution management system that allows our mail order pharmacy to begin the servicing of the 40+ million Americans who are either uninsured or underinsured.

We have also created a fully integrated Prescription Fulfillment Program through which physicians can directly submit prescriptions to our mail order pharmacy through the use of our proprietary hand-held device, tablet PC, or PDA that is enabled with a Wi-Fi link to the Internet instead of issuing a standard prescription for the patient to fill at a local drugstore.

Using our technology, prescriptions for medication or diabetic supplies are submitted instantaneously and securely. We fill the prescription immediately and the customer receives his/her medications at his/her home within 24 hours, usually by the next morning 24/7. We then bill Medicare, Medicaid, or the patient's insurance company directly.

This concept is directed towards practitioners who treat long term care patients, the uninsured and underinsured. This concept already has enlisted organizations that manage or finance the indigent practices of more than 2,500 doctors. We are establishing our first fulfillment center to service these uninsured and underinsured patients in Phoenix, Arizona. We have also secured, through a strategic partnership the use of a retail prescription license to transact prescription fulfillment in Arizona.

By using wireless technology to link our centrally located drug distribution center with an established wholesale prescription distributor, we are positioned to bring economic and administrative efficiencies to the projected \$8 billion marketplace for delivering prescriptions to the uninsured and underinsured.

The retail prescription business - often subsidized or funded by government benefits -- is a development stage enterprise moving to take advantage of the tremendous opportunity in retail pharmacy business via direct mail order distribution of prescriptions and related products and supplies. As part of our acquisition of CareGeneration, Inc., we also acquired from CareGeneration a proprietary, retail mail order methodology for the distribution of pharmaceutical and healthcare supplies which includes:

1. Discounted pharmaceutical and healthcare supplies marketed by mail order to minority and citizen organizations (religious groups, unions, etc.)
2. A proprietary "biometric" secured bankcard primarily targeted to the under-insured. The bankcard is honored by any FDIC bank within the United States.
3. Discounted pharmaceutical and healthcare supplies marketed by mail order to state Medicaid and the Federal Medicare plans.

We subsequently learned that CareGeneration did not own or have exclusive rights to the biometric technology and as a result we undertook a conversion of some of our own medical information technology to replace this needed and secure device through our own efforts.

Retail Prescription

The retail prescription business is often subsidized or funded by government benefits which seems to be aggressively moving to take advantage of the tremendous opportunity in retail pharmacy business via direct mail order distribution of prescriptions and related products/supplies. We acquired a retail mail order business concept for the distribution of pharmaceutical and healthcare supplies. We are focusing our distribution activities to patients who lack prescription drug coverage and patients who qualify for government or institutional programs such as Medicare, Medicaid, children's health insurance programs and long term care institutions and organizations.

Our retail prescription business maintains three operating units:

1. Licensed wholesale prescription drug distribution business, where we deliver bulk prescription drugs on a wholesale basis to clients;
2. Licensed distribution of diabetes diagnostics and supplies, where we deliver diabetic testing strips and associated diagnostic products under several business models; and
3. Internet pharmacy/prescription fulfillment, which we are methodically, but cautiously, entering.

Our plan is to combine the wholesale and retail drug distribution businesses and couple these businesses with the capabilities to connect physicians, using our PDA technologies, creating wide-ranging ePharmacies similar in function to existing Internet pharmacies but directed to serving the large base of institutionalized, underinsured and uninsured Americans.

Retail prescription distribution methods

On December 27, 2004, pursuant to the agreement and plan of merger with CareGeneration, Ronald Kelly, a former director, agreed to transfer to Pharma Tech a Wholesale Drug Distribution License (license no. 004-001681, expiring 12/31/2007 issued to Kelly Company world Group, Inc, Ronald R. Kelly, 96 S. Madison St., Carthage, IL. 82321, by the State of Illinois and jointly governed by regulators from the State of Illinois, the U. S. Drug Enforcement Agency and the U.S. Food and Drug Administration). Additionally, Mr. Kelly agreed to seek transfer of a reciprocal drug distribution license issued by the State of Indiana, a client list and know-how in the form of written (published) drug distribution policies and procedures applicable to independent prescription drug and diagnostic distributors. After learning that these licenses had not been transferred and were not in the process of transfer, we filed suit against Mr. Kelly, his wife, daughter and several of his controlled entities. The complaint expressed the impact of Mr. Kelly's deceit. In December 2007, we settled this lawsuit in return for a \$200,000 judgment against Mr. Kelly's major entity. We are in the process of enforcing this judgment.

To augment our drug distribution efforts, our subsidiary, PDA Services, Inc., applied for and was granted a prescription drug distribution license in the state of North Dakota (License No. 463, Wholesale Drug (Device) Manufacturing (Reverse) Distributor/Warehouse License, expiring on June 30, 2008). In addition, our subsidiary Pharma Tech Solutions, Inc. has applied for and been granted a retail prescription drug fulfillment license in the state of Arizona (Permit No. 4374). The company allowed this license to lapse when we entered into a strategic partnership with Genrich United Pharmacy (Genrich) in Phoenix, AZ, saving the company the need to build what would have amounted to duplicate pharma distribution facilities. The company is pleased with the initial business it has transacted through the partnership with Genrich.

PDA Services, Inc.

On June 7, 2006, we and our subsidiary PDA Services, Inc. entered into an Intangible Property, License Acquisition Agreement with Colonia Natural Pharmacy, Inc., a New Jersey corporation (Colonia), also known as CN Pharmacy, and individuals Mr. Svetislav Milic and Mr. Nathan Kaplan. There are no material relationships between us or our affiliates and any of the parties, other than in respect of the material definitive agreement.

Under the terms of the Intangible Property License Acquisition Agreement, Mr. Milic, will transfer, register and convey, and we shall receive, free and clear of all liens, encumbrances and liabilities, the wholesale drug distribution license (License Number 5003178) granted to Mr. Milic by the State of New Jersey, and all rights and benefits thereto, plus the goodwill and know-how of Mr. Milic, and other related rights granted the Licensee by virtue of this conveyance. Unless otherwise agreed to, Mr. Milic shall remain the control party of the transferred license for a period of three years after transfer, registration and conveyance.

In tandem with the Intangible Property License Acquisition Agreement, the parties entered into an Exclusive Agreement Regarding Wholesale Drug Distribution License and Wholesale Drug Distribution Operations wherein the

conveyance included the rights to the use of Colonia Natural Pharmacy Inc.'s office and warehouse facility approved for the storage and delivery of pharmaceuticals, and Colonia will have no role, and thus, no responsibility or liability, in the conduct of the d/b/a business, including ordering, distribution, or business management of the wholesale business conducted by us or our subsidiaries.

The company has subsequently cloned this series of agreements with Colonia into similar agreements with R&R Drugs in Brooklyn, NY and Genrich United Pharmacy in Phoenix, AZ. We have begun transacting commerce in New York and in Arizona as result of our agreements.

Medical Field Applications

Our medical technologies are grounded in the central need/desire to furnish the practicing physician with crucial point-of-care patient information rapidly and reliably via a PDA. The technologies utilize the power of the Internet to move large amounts of data to and from a variety of platforms securely via a powerful Windows CE based PDA designed for portability and upgradeability. Compliant with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the regulations that have since been promulgated, this PDA technology offers real-time point of care applications.

Our software is designed to integrate point of service applications. The medical appliance, the longest available product, monitors treatment protocols and up to the moment patient histories coupled with real-time on-line medical insurance claims submission. Our ultimate key to success resides in providing the private practice physician with the capability to, sequentially, learn about the history of the patient during, or prior to, entering the examining room, treat the patient and update the insurer of the episode of care. Accomplishing these objectives resolves a major dilemma for the health care provider; instantaneous communication of vital patient related information at or before the patient encounter.

Medical field distribution methods

Since inception, we have and will continue to focus our marketing efforts towards general medical and pharmaceutical medical applications through our E-Health handheld information appliance (PDA) software application package, and a permanently affixed handheld information appliance and Wi-Fi (wireless) network. Specifically we have marketed our line of MD@Hand PDA-based medical communication network products to the medical insurance and pharmacy benefits management segments of the healthcare markets.

We have implemented a targeted marketing campaign to educate healthcare providers about our medical technology solutions; targeting the physician providers who specialize in care for the indigent through the provision of technology, products and services that specifically respond to the needs and requirements of that market. We market our suite of medical software products by emphasizing their simplicity, portability, convenience and ease of use. We have chosen this focus due in part that State Medicaid and state and local welfare service providers are agencies who do not typically participate in electronic services networks. This is primarily because care for the poor and indigent is logistically and financially burdensome due to a lack of resources at administrative levels. Put another way, there is usually no shortage of volunteer physicians but there is a shortage of program administrators, clinics, medical supplies and patient access. Additionally, we believe that a company that enters this loop to complete the link by providing utility and value to participants will be embraced. It is incumbent on us to therefore extend our marketing strategy to facilitate this reality.

Implicit to our medical marketing strategy is the contracting of state Medicaid and welfare programs, pharmacy benefit management entities, and medical case management entities within a targeted region that provides for system integration to our products and services. Once the network has been established our IT driven mail order pharmacy services will be distributed to those physicians included within the Medicaid or welfare agency Provider Network. We will rely on those contracted agencies to support and assist in the distribution of the product to the physicians

Medical field competition

The medical industry is highly competitive in the attraction and retention of physician customers, insurers, government agency payors/sponsors and other medical providers. The number of competing companies and the size of such companies vary in different geographic areas. Generally, we are in competition with other PDA technology

companies that offer medically related software suites, with the most effective competition coming from companies that possess greater capital resources, have longer operating histories, larger customer bases, greater name recognition and significantly greater financial, marketing and other resources than do we.

There are a number of small and large companies that provide some type of IT services at the point of care tying physicians to the healthcare systems. There is substantial turnover and business failure in this industry as well as substantial consolidation:

1. Large publicly traded companies:
 - a. WebMD, formerly known as Healtheon (HLTH);
 - b. The former MedicaLogic/Medscape (merged into HLTH);
 - c. Cerner/Citation (CERN);

- d. IDX Corporation (IDXC); and
- e. The former Shared Medical Corp. (acquired by Siemens).

These companies, and others, are involved in healthcare based services including consumer services, E-commerce and connectivity.

2. PDA-based companies:

- a. PatientKeeper Corp s. (formerly Virtmed) product allows physicians to capture billing information for hospital-based accounts and purports to manage receivable transactions (a mix of 1st generation features on a 3rd generation tech platform);
- b. ePhysician, which four years ago was acquired in an asset sale by Ramp Corp. (RCO). Ramp filed for bankruptcy protection in 2006 leaving a promising technology in flux;
- c. iScribe, which four years ago was reorganized and then merged into AdvacePCS, has announced products that reside on 3-Com's Palm PC. 3-Com no longer manufactures the Palm leaving another promising technology with business model issues;
- d. AllScripts (MDRX) employs a "pull-through" business model whereby their technology is employed at the physician's point of care in an effort to provide medical utility and medical content to that physician, but with the greater goal of selling that physician bulk pharmaceuticals. MDRX appears to be positioned to advance to a market leadership position with a product distribution channel of approximately 5,500 physicians' office sites (3% of the total market); and
- e. PocketScripts ("PS") is another market entrant that specializes in the electronic prescriptions. Zixcorp (ZIXI) acquired PS in 2003 and is currently creating a market for the product and technology.

These companies, and others, offer products and services similar to ours: delivering PDA based data management to physicians.

There can be no assurance that we will be able to compete successfully against current and future competitors, and competitive pressures faced by us may have a material adverse effect on our business, prospects, financial condition and results of operations. Further, as a strategic response to changes in the competitive environment, management may from time to time make certain pricing, service or marketing decisions or acquisitions that could have a material adverse effect on our business, prospects, financial condition and results of operations.

Advancing the Practice of Medicine at the Point of Care

We are also a developer of products that offer unique solutions in medical care and management by providing physicians with essential information instantaneously as they meet with their patients. Unlike other medical information systems using standard computer terminals, we use palm-sized computers (PDA's) that allow physicians to carry, access and update their patients' histories, medication data, and best care guidelines *all at the point of care* streamlining and revolutionizing the practice of medicine.

In addition, we market our *MD@Hand* software application, which also leverages the connectivity of handheld devices via the Internet. This first-in-class PDA software application offers the user access to job specific information (I.E. patient histories or databases), instant messaging, and prescription fulfillment for pharmacists. Our versatile, PDA-based software application is also used in other, information-intensive industries. Our proprietary *ResidenceWare* is a similar collection of Internet-enhanced communication, integration, and networking tools developed for the real estate marketplace in cooperation with prominent commercial and residential real estate management companies. Numerous sales professionals, lodging managers and hoteliers currently use the software to access such information as tenant histories and property databases, as well as for instant messaging directly with occupying tenants.

MD@Hand

Information supplied to and from the physician via the handheld device includes:

Case/Episode diagnosis and Treatment Information:

- Episode by episode multiple diagnosis and physician chosen treatment pathways
- Patient cumulative treatment (electronic medical record) histories, including hospitalizations and histories from patient encounters with other physicians
- Eight levels best care medical protocols
- Tentacle links to the physician desktop reference (PDR) and prescription drug databases

Medical Order Entry and Fulfillment:

- Full Pharmacy Benefits Management programs with electronic script writing with drug formulary and drug to drug interaction checks prior to script transmission
- Lab Order Entry with complete reporting including results, pending, ticklers, out of limits, historical, summary, etc.
- Accident/Worker's Compensation intervention modules. In addition, instaCare software applications provide both on-line and off-line (fax) order entry.

Payor-Related Applications

- Plan and Procedure Eligibility

- Procedure/Drug Authorization
- Patient Referral
- Hospitalization Admit Decision Tree and schema.

Benefit for Physicians

- All access to medication and drug data, interaction databases and formulary information is provided free of charge to all participating physicians via the PDA through instaCare's network
- Lowers office costs by centralizing all formulary and prescription m
- Medical data on one or multiple PDAs and by reducing paperwork and phone time
- Improves quality of care by providing timely information including *Best Care Guidelines* to help assure an excellent standard of care
- Improves office workflow by providing a compendium of prescription, lab results, referable physicians
- Reduces time pulling and refilling charts reduces errors by offering immediate access to drug data, current formulary tables, lab results and *Best Care Guidelines*

Benefit For Health Plans

- High degree of formulary compliance
- Expedites claims and Improves outcomes
- Helps in creating excellent standard for quality healthcare for all patients
- Reduces cost of operations in many ways (i.e.: cutting down paperwork and phone support)
- Reduces errors
- Assures correct utilization of resources

How Does it Work

The following diagram shows how the PDA's communicate with remote host systems:

Source of Principal Suppliers

Our suite of software-both medical and real estate and hotel/motel related- is proprietary code and does not require raw materials or principal suppliers. Our software is utilized through over-the-counter PDA's and computer products, as previously discussed. However, our ResidenceWare product is manufactured by third parties. Of the units placed, approximately one half (1/2) are units manufactured and/or distributed by companies such as ASUS, Casio and Viewsonic. The remaining units were manufactured by Dell Computer, Inc. (Dell). Since October 1, 2004, all units placed have been Dell units. However, since we are now in the process of installing units at hotels that were referrals from existing customers we have recently placed an order for additional ASUS units. We do not foresee any additional change or additions of in PDA manufacturers in the near future.

Dependence on a Few Major Customers

Beginning with the first quarter 2007 and throughout the remainder of the year we generated revenues primarily through our medical and retail pharmaceutical distributions from five companies. We maintain strategic relationships with these companies whereby these companies place orders and then we service these orders and supply product directly to the patients and/or those entities where the patients reside. We then accept assignment for the billing and future servicing of these patients. We maintain relationships with these original five resellers but have also added fourteen additional customers and books of business with institutional care clients whereby we sell product and then receive revenues from the direct filing of reimbursement claims with medical insurance companies. In the future we expect the majority of the growth in our business to come as a direct result of our direct to patient distribution.

Government Approval and Effect on Us

Medical applications

Recent government and industry legislation and rulemaking, especially the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), and industry groups such as the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"), require the use of standard transactions, standard identifiers, security and other standards and requirements for the transmission of certain electronic health information. New national standards and procedures under HIPAA include the "Standards for Electronic Transactions and Code Sets" (the "Transaction Standards"); the "Security Standards" (the "Security Standards"); and "Standards for Privacy of Individually Identifiable Health Information" (the "Privacy Standards"). The Transaction Standards require the use of specified data coding, formatting and content in all specified "Health Care Transactions" conducted electronically. However, because all HIPAA Standards are subject to change or interpretation and because certain other HIPAA Standards, not discussed above, are not yet published, we cannot predict the future impact of HIPAA on our business and operations. Additionally, certain state laws are not pre-empted by the HIPAA Standards and may impose independent obligations upon our customers or us.

Failure to comply with HIPAA, as well as other government organizations, may have a material adverse effect on our business. Government regulation of healthcare and healthcare information technology, are in a period of ongoing change and uncertainty and creates risks and challenges with respect to our compliance efforts and our business strategies. The healthcare industry is highly regulated and is subject to changing political, regulatory and other influences. Federal and state legislatures and agencies periodically consider programs to reform or revise the United States healthcare system. These programs may contain proposals to increase governmental involvement in healthcare or otherwise change the environment in which healthcare industry participants operate. Particularly, compliance with HIPAA and related regulations are causing the healthcare industry to incur substantial cost to change its procedures. Healthcare industry participants may respond by reducing their investments or postponing investment decisions, including investments in our products and services. Although we expect these regulations to have the beneficial effect of spurring adoption of our software products, we cannot predict with any certainty what impact, if any, these and future healthcare reforms might have on our business. Existing laws and regulations also could create liability, cause us to incur additional cost or restrict our operations.

Specific risks include, but are not limited to, risks relating to:

Electronic Prescribing: The use of our software by physicians to perform a variety of functions, including electronic prescribing, electronic routing of prescriptions to pharmacies and dispensing, is governed by state and federal law. States have differing prescription format requirements, which we have programmed into our software. Many existing laws and regulations, when enacted, did not anticipate methods of e-commerce now being developed. While federal law and the laws of many states permit the electronic transmission of prescription orders, the laws of several states neither specifically permit nor specifically prohibit the practice. Given the rapid growth of electronic transactions in healthcare, and particularly the growth of the Internet, we expect the remaining states to directly address these areas with regulation in the near future. It is possible that aspects of our MD@Hand software tools could become subject to government regulation. Compliance with these regulations could be burdensome, time-consuming and expensive. We also could become subject to future legislation and regulations concerning the development and marketing of healthcare software systems. These could increase the cost and time necessary to market new services and could affect us in other respects not presently foreseeable. We cannot predict the effect of possible future legislation and regulation; and,

Medical Devices: The United States Food and Drug Administration (the "FDA") has promulgated a draft policy for the regulation of computer software products as medical devices under the 1976 Medical Device Amendments to the Federal Food, Drug and Cosmetic Act. To the extent that computer software is a medical device under the policy, we, as a manufacturer of such products, could be required, depending on the product, to:

- register and list our products with the FDA;
- notify the FDA and demonstrate substantial equivalence to other products on the market before marketing such products; or
- obtain FDA approval by demonstrating safety and effectiveness before marketing a product.

Depending on the intended use of a device, the FDA could require us to obtain extensive data from clinical studies to demonstrate safety or effectiveness, or substantial equivalence. If the FDA requires this data, we would be required to obtain approval of an investigational device exemption before undertaking clinical trials. Clinical trials can take extended periods of time to complete. We cannot provide assurances that the FDA will approve or clear a device after the completion of such trials. In addition, these products would be subject to the Federal Food, Drug and Cosmetic Act's general controls, including those relating to good manufacturing practices and adverse experience reporting. Although it is not possible to anticipate the final form of the FDA's policy with regard to computer software, we expect that the FDA is likely to become increasingly active in regulating computer software intended for use in healthcare settings.

Anti-Kickback Regulation: As a distributor of prescription drugs along the distribution chain that ultimately supply physicians, we are subject to the federal anti-kickback statute, which applies to Medicare, Medicaid and other state and federal programs. The statute prohibits the solicitation, offer, payment or receipt of remuneration in return for referrals or the purchase, or in return for recommending or arranging for the referral or purchase, of goods, including

drugs, covered by the programs.

Licensure and Prescription Drug Distribution: As a distributor of drugs, we are subject to regulation by and licensure with the Food and Drug Administration (FDA), the Drug Enforcement Agency (DEA) and various state agencies that regulate wholesalers or distributors. We are subject to periodic inspections of our facilities by regulatory authorities, and adherence to policies and procedures for compliance with applicable legal requirements.

Currently, we do not bear any costs or any effects regarding compliance with environmental laws (federal, state, and local).

Personnel

We currently employ 10 employees, of which 4 are full-time employees, and 6 sales/service representatives. No full-time employees are covered by labor agreements or employment contracts.

Consultants

Chris Knapp. On July 15, 2006, we entered into a consulting agreement with Chris Knapp, wherein Mr. Knapp agreed to assist us in increasing corporate awareness within the healthcare industry. The term of the agreement commenced on July 15, 2006 and will continue until the agreement is terminated pursuant to written notification by either party. We agreed to compensate Mr. Knapp with 100,000 shares of our common stock (issued on September 7, 2006) and 100,000 options to purchase shares of our common stock at \$0.32 per share through December 31, 2006. No options have been granted thus far, although Mr. Knapp continues to assist the Company.

Waypoint Capital Partners. On August 22, 2006, we entered into a consulting agreement with Waypoint Capital Partners, wherein Waypoint agreed to assist us in obtaining equity and/or debt financing. Pursuant to the agreement we issued 197,370 shares of our common stock to Waypoint on September 7, 2006 as compensation for its services. The term of the agreement was for six months, however, by mutual agreement the parties terminated the agreement on December 10, 2006. The parties continue to work on an arms length basis.

Barbara Asbell. On August 24, 2006, we entered into a consulting agreement with Barbara Asbell, wherein Ms. Asbell agreed to provide the Company with general business, recruiting, personnel relations and medical IT consulting. The term of the agreement began on August 24, 2006 and terminated on October 31, 2006. We continue to engage Ms. Asbell from time to time and did so on February 12, 2007 for 90 days, May 17, 2007 for 90 days, September 13, 2007 for 60 days, and November 20, 2007 for 90 days.

Leslie Abraham Wolf. On August 24, 2006, we entered into a consulting agreement with Leslie Abraham Wolf, wherein Ms. Wolf agreed to provide the Company with general business, pharmaceutical and diagnostics sales, worker's compensation and medical claims consulting. The term of the agreement began on August 24, 2006 and terminated on October 31, 2006. We continue to engage Ms. Wolf from time to time and did so on February 12, 2007 for 90 days, May 17, 2007 for 90 days, and September 13, 2007 for 60 days.

Joseph Wolf. On August 24, 2006, we entered into a consulting agreement with Dr. Joseph Wolf, wherein Dr. Wolf agreed to provide the Company with general business, recruiting, personnel relations and medical IT consulting. The term of the agreement began on August 24, 2006 and terminated on October 31, 2006. We continue to engage Dr. Wolf from time to time and did so on February 12, 2007 for 90 days, May 17, 2007 for 90 days, and September 13, 2007 for 60 days.

Michelle Thais Abraham. On August 24, 2006, we entered into a consulting agreement with Michelle Thais Abraham, wherein Ms. Abraham agreed to provide the Company with general business, pharmaceutical and diagnostics sales, worker's compensation and medical claims consulting. The term of the agreement began on August 24, 2006 and terminated on October 31, 2006. We continue to engage Ms. Abraham from time to time and did so on February 12, 2007 for 90 days, May 17, 2007 for 90 days, and September 13, 2007 for 60 days.

Patents, Proprietary Rights and Licenses

In February 2001, a broad based patent application was filed covering the methods and apparatus of our software technology and the integration of our software technology into commercial computer networks and commercial personal digital assistant (PDA) devices. In May 2001, the inventors of the technology, methods and apparatus covered by the patent application sold the technology and assigned the intellectual property rights to Medicius, Inc. In July 2002, we prepared an additional derivative patent application that added additional patent claims to our claim portfolio. It was our intent to file derivative patent applications as needed covering the processes, use and functionality of our technologies and products as we further developed our methods and processes.

Through our merger with Medicius, Inc. in 2002 we gained assignment of proprietary systems covered by a portfolio of pending utility patent applications that make claim to methods and systems for managing medical patient-specific information and concurrently implementing fulfillment of this information by multiple health-services related providers for medically-related services for use over a computer network. The proprietary systems allow for patient information to be gathered from multiple authorized sources and then this information is provided at the point-of-care, and coordinated and compared with prescription formulary compliance, medical services providers and their payors, and multiple-rules based treatment plans provided by various sources (content). Patient case and episode information and care management, in coordination with the implementation of substantially paperless ordering and fulfillment of lab tests, prescriptions and referrals, is made available to attending health care professionals and support personnel via networked computer systems and PDA systems running our proprietary software methods. The inventive system includes, in seamless essentially real-time communication over the Internet, a network of fully secure private sub-networks among the participants in the system, anchored by a PC as the client-server link to the Internet, with each of a plurality of PDA s either docked to it or connected by commercially available wireless communications protocols. A suite of software applications, including medical, communications and database applications are resident on each PDA, and communications modules resident in the system automatically link to the PC via an available ISP to update those databases by a novel packet transmission method to maintain confidentiality of the transmitted information. Data is transferred by wireless link, such as radio frequency links among and between servers and PDA s used in connection with the system.

The original patent application, Patent Application 09776544, Information Management and Communications System and Method, Attorney Docket 0444.002, consisting of forty-eight separate claims was filed on February 2, 2001. This application encompassed the method, system and apparatus of the invention described above. In July 2002, we completed a derivative application that added seventeen additional claims to the application. These claims specifically augmented the original methods and apparatus to include methods surrounding a proprietary use of what is commonly known as Wi-Fi to transmit the packet data and databases described above.

During a follow-up with the USPTO, our CFO and the Inventor of the above described methods and processes was informed by a representative of the USPTO that Patent Application 09776544 had been abandoned due to a non-timely filing of a fee and response by patent counsel. Unable to discuss these issues with counsel due to his lingering illness, the Inventor has subsequently petitioned the USPTO to re-activate the application. We intend to engage new patent counsel to prosecute the applications.

Item 1A. Risk Factors.

Risks Relating To Our Business and Marketplace

Our limited operating history could delay our growth and result in the loss of your investment.

We were incorporated on March 2, 2001 and have previously been in the development stage and thus have had a limited operating history on which to base an evaluation of our business and prospects. Beginning in 2005, we have commenced operations and are no longer considered to be in the development stage. However, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development. Such risks include, but are not limited to, dependence on the growth of use of electronic medical information and services, the adoption of PDA based Internet appliances for the transmission and display of medical information, the need to establish our brand name, the ability to establish a sufficient client base, the level of use of medical providers and the management of growth. To address these risks, we must maintain and increase our customer base, implement and successfully execute our business and marketing strategy, continue to develop and improve our point of care software and patient processing system, provide superior customer service, respond to competitive developments and attract, retain, and motivate qualified personnel. There can be no assurance that we will be successful in addressing such risks, and the failure to do so could lead to an inability to meet our financial obligations and therefore result in bankruptcy and the loss of your entire investment in our common shares.

If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board, which would limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

Companies trading on the OTC Bulletin Board, such as us, generally must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. More specifically, NASD has enacted Rule 6530, which determines eligibility of issuers quoted on the OTC Bulletin Board by requiring an issuer to be current in its filings with the Commission. Pursuant to Rule 6530(e), if we file our reports late with the Commission three times in a two-year period or our securities are removed from the OTC Bulletin Board for failure to timely file twice in a two-year period then we will be ineligible for quotation on the OTC Bulletin Board. We filed our Form 10-QSB for the periods ended June 30, 2006 and September 30, 2006 late, therefore, one more late filing will result in de-quotation from the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

We have historically lost money and losses are expected to continue in the near future, which means that we may not be able to continue operations unless we obtain additional funding.

We have historically lost money. We had an accumulated deficit as of December 31, 2007, and 2006 of \$19,525,307 and \$18,058,490, respectively. In addition, our development activities since inception have been financially sustained by capital contributions. Future losses are likely to occur. Accordingly, we may experience significant liquidity and cash flow problems if we are not able to raise additional capital as needed and on acceptable terms. We received a substantial number of sales orders and refill orders beginning in mid-September 2006. However, at this time we have depleted our cash resources and as a result we were unable to pre-pay certain diabetic test suppliers for approximately \$5,400,000 in product to fill these orders, causing our customers to wait additional time to receive product from us. Thus, from time to time we might need to turn to the capital markets to obtain additional financing to fund payment of obligations and to provide working capital for operations. No assurances can be given that we will be successful in reaching or maintaining profitable operations.

We have been dependent on a small number of major customers to support our prescription drug distribution plan and to refer direct to patient business.

In 2007 our four largest customers accounted for approximately 98% of our net sales through the referral of direct to patient and direct to medical service entity businesses. We expect that a small but growing number of customers will continue to account for a substantial majority of our sales and that the relative dollar amount and mix of products sold can change significantly from year to year and how we are paid for business generated, assigned and referred by these customers can change as well. There can be no assurance that our major customers will continue to purchase products or refer the direct to patient and direct to medical entity business to us at current levels, or that the mix of products purchased will be in the same ratio. The loss of our largest customers, who not only buy product directly, but also refer substantial direct to patient business upon which we accept assignment or may provide direct billing and

collection services or accept medical assignment for direct to patient business, or a decrease in product sales would have a material adverse effect on our business and financial condition.

Our internal controls may be inadequate, which could cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, the principal executive and principal financial officer and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

We have one individual performing the functions of all officers and directors. This individual is responsible for monitoring and ensuring compliance with our internal control procedures. As a result, our internal controls may be inadequate or ineffective, which could cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public. Investors relying upon this misinformation may make an uninformed investment decision.

We may not be able to retain our key personnel or attract additional personnel, which could affect our ability to generate revenue sufficient to continue as a going concern diminishing your return on investment.

Our performance is substantially dependent on the services and on the performance of our Management. instaCare is, and will be, heavily dependent on the skill, acumen and services of our CFO, Secretary and Treasurer, Keith Berman and our Chairman Robert Jagunich. Our performance also depends on our ability to attract, hire, retain and motivate our officers and key employees. The loss of the services of our executives could result in lost revenue depending on the length of time and effort required to find a qualified replacement. We have not entered into long-term employment agreements with our key personnel and currently have no "Key Employee" life insurance policies.

Our future success may also depend on our ability to identify, attract, hire, train, retain and motivate other highly skilled technical, managerial, marketing and customer service personnel. Competition for such personnel is intense, and there can be no assurance that we will be able to successfully attract, assimilate or retain sufficiently qualified personnel. If we are unable to attract, retain, and train the necessary technical, managerial, marketing and customer service personnel, our expectations of increasing our clientele could be hindered, and the profitability of instaCare reduced.

Recent and possible future issuances of common stock will have a dilutive affect on existing shareholders.

instaCare is authorized to issue up to 1,250,000,000 Shares of common stock. As of March 28, 2008, there were 34,700,688 shares of common stock issued and outstanding. Additional issuances of common stock may be required to raise capital, to acquire stock or assets of other companies, to compensate employees or to undertake other activities without stockholder approval. These additional issuances of common stock will increase outstanding shares and further dilute stockholders' interests. Because our common stock is subject to the existing rules on penny stocks and thinly traded, a large sale of stock, such as the shares we seek to have registered via this registration statement, may result in a large drop in the market price of our securities and substantially reduce the value of your investment.

Our common stock has been relatively thinly traded, may experience high price volatility and we cannot predict the extent to which a trading market will develop.

Our common stock has traded on the Over-the-Counter Bulletin Board. Our common stock is thinly traded compared to larger more widely known companies in our industry. Thinly traded common stock can be more volatile than

common stock trading in an active public market. We cannot predict the extent to which an active public market for the common stock will develop or be sustained after this offering.

Achieving market acceptance of new or newly integrated products and services is likely to require significant efforts and expenditures.

Achieving market acceptance for new or newly integrated products and services is likely to require substantial marketing efforts and expenditure of significant funds to create awareness and demand by participants in the healthcare industry. In addition, deployment of new or newly integrated products and services may require the use of additional resources for training our existing sales and customer service personnel and for hiring and training additional salespersons and customer service personnel. There can be no assurance that the revenue opportunities from new or newly integrated products and services will justify amounts spent for their development, marketing and rollout.

We could be subject to breach of warranty claims if our software products, information technology systems or transmission systems contain errors, experience failures or do not meet customer expectations.

We could face breach of warranty or other claims or additional development costs if the software and systems we sell or license to customers or use to provide services contain undetected errors, experience failures, do not perform in accordance with their documentation, or do not meet the expectations that our customers have for them. Undetected errors in the software and systems we provide or those we use to provide services could cause serious problems for which our customers may seek compensation from us. We attempt to limit, by contract, our liability for damages arising from negligence, errors or mistakes. However, contractual limitations on liability may not be enforceable in certain circumstances or may otherwise not provide sufficient protection to us from liability for damages.

If our systems or the Internet experience security breaches or are otherwise perceived to be insecure, we could lose existing clients and limit our ability to attract new clients.

A security breach could damage our reputation or result in liability. We retain and transmit confidential information, including patient health information. Despite the implementation of security measures, our infrastructure or other systems that we interface with, including the Internet, may be vulnerable to physical break-ins, hackers, improper employee or contractor access, computer viruses, programming errors, attacks by third parties or similar disruptive problems. Any compromise of our security, whether as a result of our own systems or systems that they interface with, could reduce demand for our services.

We do not have the financial resources to litigate actions involving our copyrights or patent applications.

We have applied to receive patent rights, and trademarks relating to our software. However, patent and intellectual property legal issues for software programs, such as our products, are complex and currently evolving. Patent applications are secret until patents are issued in the United States, or published in other countries, therefore, we cannot be sure that we are first to file any patent application for our technologies, primarily the technology that allows for the safe, secure and near seamless transmission of sensitive medical information from the point of care, directly to our mail order pharmacy. Should any of our patent claims be compromised or if, for example, one of our competitors has filed or obtained a patent before our claims have been prosecuted, or should a competitor with more resources desire to litigate and force us to defend or prosecute any patent rights, our ability to develop the market for our mail order pharmacy could be severely compromised, for we do not have the financial resources to litigate actions involving our patents and copyrights.

Our auditors have expressed substantial doubt as to our ability to continue as a going concern.

Due to our increasing deficit and our lack of revenue sufficient to support existing operations, there is substantial doubt about our ability to continue as a going concern. We may need to obtain additional financing in the event that we are unable to realize sufficient revenue. We may incur additional indebtedness from time to time to finance acquisitions, provide for working capital or capital expenditures or for other purposes. There can be no assurance that we will have funds sufficient to continue operations, and the failure to do so could lead to an inability to meet our financial obligations and therefore result in bankruptcy and the loss of your entire investment in instaCare's common shares.

Risks Relating To Our Common Stock

Because our common stock is deemed a low-priced Penny stock, an investment in our common stock should be considered high risk and subject to marketability restrictions.

Since our common stock is a penny stock, as defined in Rule 3a51-1 under the Securities Exchange Act, it will be more difficult for investors to liquidate their investment even if and when a market develops for the common stock. Until the trading price of the common stock rises above \$5.00 per share, if ever, trading in the common stock is subject to the penny stock rules of the Securities Exchange Act specified in rules 15g-1 through 15g-10. Those rules require broker-dealers, before effecting transactions in any penny stock, to:

- Deliver to the customer, and obtain a written receipt for, a disclosure document;
- Disclose certain price information about the stock;

- Disclose the amount of compensation received by the broker-dealer or any associated person of the broker-dealer;
- Send monthly statements to customers with market and price information about the penny stock; and
- In some circumstances, approve the purchaser's account under certain standards and deliver written statements to the customer with information specified in the rules.

Consequently, the penny stock rules may restrict the ability or willingness of broker-dealers to sell the common stock and may affect the ability of holders to sell their common stock in the secondary market and the price at which such holders can sell any such securities. These additional procedures could also limit our ability to raise additional capital in the future.

If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board, which would limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

Companies trading on the OTC Bulletin Board, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. More specifically, FINRA has enacted Rule 6530, which determines eligibility of issuers quoted on the OTC Bulletin Board by requiring an issuer to be current in its filings with the Commission. Pursuant to Rule 6530(e), if we file our reports late with the Commission three times in a two-year period or our securities are removed from the OTC Bulletin Board for failure to timely file twice in a two-year period then we will be ineligible for quotation on the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

We have the ability to issue additional shares of our common stock and shares of preferred stock without asking for stockholder approval, which could cause your investment to be diluted.

Our Certificate of Incorporation authorizes the Board of Directors to issue up to 1,250,000,000 shares of common stock and 5,000,000 shares of preferred stock. The power of the Board of Directors to issue shares of common stock, preferred stock or warrants or options to purchase shares of common stock or preferred stock is generally not subject to shareholder approval. Accordingly, any additional issuance of our common stock, or preferred stock that may be convertible into common stock, may have the effect of diluting one's investment.

FINRA sales practice requirements may also limit a stockholder's ability to buy and sell our stock.

In addition to the penny stock rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

We currently maintain an executive office at 2660 Townsgate Road, Suite 300, Westlake Village, CA 91361. The space consists of approximately 2,300 square feet. The monthly rental for the space is \$4,000 per month on a month to month basis until March 31, 2009.

On June 7, 2005, we entered into an agreement for the right to use offices, warehouses and shipping facilities for the storage and shipping of pharmaceuticals located at 515 Inman Avenue, Colonia, NJ 07067 and 25 Minna Street, Rahway, NJ 07065 for a monthly rental fee of \$3,500. These buildings total 4,000 square feet but our right to use is not exclusive.

We are currently completing leasehold improvements on a 4,000 square foot facility in Hope, ND to use as our fulfillment center. When this leasehold is completed, we will pay \$1,000 per month on a month to month basis.

Item 3. Legal Proceedings.

We transact commerce in several medical products market channels. We also transact commerce moving confidential medical data through our proprietary medical information technology devices and networks. Healthcare is a very litigious industry. The industry is also very intertwined. From time to time, we may become involved in claims and litigation that arise out of the normal course of business or the normal course of the business of our suppliers, payors and customers. Other than as noted below there are no pending matters at the current time that in management's judgment may be considered potentially material to us.

instaCare Corp. vs. Ronald Kelly, et. al. (Kelly)

In July of 2005, the Company filed a complaint in the United States District Court, for the Central District of California (Case Number CV 05-4932-RSWL), against Ronald Kelly, Linda R. Kelly, Kimberly Kelly, and Kelly Company World Group, Inc., seeking damages for:

1. Fraud;
2. Declaratory Relief;

3. Breach of Fiduciary Duty;
4. RICO violations;
5. Injunctive Relief;
6. Conversion;
7. Breach of Contract/Breach of Corporate Merger Agreement; and
8. Accounting and Ancillary Relief.

On December 18, 2006, the United States District Court, for the Central District of California ordered, adjudged and decreed that the Company shall have judgment against Kelly in the amount of \$200,000, pursuant to the stipulation of the parties.

In addition, pursuant to a mutual release agreement executed by both parties, Kelly waived any right, claim or ownership interest in any shares of common stock of the Company. Kelly returned 31,958,000 (pre-reverse split) shares of common stock to the Company, which will be placed in one of the Company's majority owned subsidiaries.

instaCare Corp. vs. Investor Relations Services Inc. (IRS), Summit Trading, Ltd. (STL)

In August of 2005, the Company filed suit in the Superior Court for the State of California (Case Number BC337976) against IRS and STL, seeking Declaratory Relief and rescission of the alleged December 2004 agreements between the Company and IRS/STL. The complaint also sought damages for Intentional Interference with an Advantageous Business Relationship as a result of actions taken by IRS/STL.

On January 17, 2007, the Superior Court for the State of California in Los Angeles County rendered its tentative decision against Investors Relations Services and Summit Trading, Ltd., finding that the December 2004 agreements were never submitted to the Board of Directors, were never approved or authorized by the Board of Directors, and that the Company has no obligations to either IRS or STL. In March 2007, the Company filed a motion with the Superior Court for the State of California for reimbursement of attorney's fees and costs.

Item 4. Submission of Matters to a Vote of Security Holders.

We did not submit any matters to a vote of our security holders during the fourth quarter of 2007.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

(a) Market Information

Our Common Stock was approved for trading on the National Association of Security Dealers' over-the-counter bulletin board market (OTC:BB) under the symbol ISCR on February 4, 2002. Our common stock has traded infrequently on the OTC:BB, which limits our ability to locate accurate high and low bid prices for each quarter within the last two fiscal years. Therefore, the following table lists the quotations for the high and low bid prices as reported by a Quarterly Trade and Quote Summary Report of the OTC Bulletin Board for the fiscal years 2007 and 2006. The quotations from the OTC Bulletin Board reflect inter-dealer prices without retail mark-up, markdown, or commissions and may not represent actual transactions.

Edgar Filing: instaCare Corp. - Form 10-K/A

| | 2007 | | 2006 | |
|-------------------------|---------|---------|---------|----------|
| | High | Low | High | Low |
| 1 st Quarter | \$ 0.37 | \$ 0.27 | \$ 0.75 | \$ 0.007 |
| 2 nd Quarter | \$ 0.45 | \$ 0.17 | \$ 0.50 | \$ 0.21 |
| 3 rd Quarter | \$ 0.17 | \$ 0.04 | \$ 0.65 | \$ 0.24 |
| 4 th Quarter | \$ 0.05 | \$ 0.03 | \$ 0.42 | \$ 0.23 |

(b) Holders of Common Stock

As of March 29, 2008, there were approximately 542 holders of record of our Common Stock and 34,700,688 shares outstanding. As of March 28, 2008, the closing price of our shares of common stock on the OTC:BB was \$0.03 per share.

(c) Dividends

During the fiscal years ended December 31, 2007, we accrued Dividends to Mercator Momentum Fund, LP and Monarch Pointe Fund, Ltd. and Mercator Advisory Group, LLC (MAG) totaling \$241,478. As of December 31, 2006, we paid \$206,086 and accrued \$50,914 pursuant to the rights of the Series C convertible preferred. We had no earnings and a stockholders deficit and therefore no basis for issuance of a dividend. In order to prevent potential litigation with the purchaser, the Company elected to pay the mandatory dividend. As of December 31, 2007, the Company had accrued dividends payable in the amount of \$292,392.

On June 9, 2006, we declared an 8 1/3% special stock dividend payable to our stockholders of record as of June 9, 2006. Pursuant to the terms of the dividend declaration, each stockholder of record received 8.334 shares for each 100 shares of our common stock they own.

We intend to follow a policy of retaining earnings, if any, to finance the growth of the business and do not anticipate paying any cash dividends in the foreseeable future. The declaration and payment of future dividends on the Common Stock will be the sole discretion of the Board of Directors and will depend on our profitability and financial condition, capital requirements, statutory and contractual restrictions, future prospects and other factors deemed relevant.

(d) Securities Authorized for Issuance under Equity Compensation Plans

2003 Stock Option Plan

Effective January 1, 2003, we adopted the 2003 Stock Option Plan. The maximum number of shares that may be issued pursuant to the plan is 312,500 shares. As of December 31, 2007, 203,125 shares have been granted and subsequently, 166,250 expired and 36,875 have been exercised under this plan.

2004 Stock Option Plan

Effective April 21, 2004, we adopted the 2004 Stock Option Plan, as amended, with a maximum number of 6,312,500 shares that may be issued. As of December 31, 2007, 2,978,297 options have been granted under this plan. As of December 31, 2007 all option granted have been exercised.

2005 Merger Consolidated Stock Option Plan

Effective February 5, 2005, we adopted the 2005 Merger Consolidated Stock Option Plan. The maximum number of shares that may be issued pursuant to the plan is 1,125,000 shares. As of December 31, 2007, 825,000 shares have been granted under this plan.

2006 Business Development Stock Option Plan

Effective December 8, 2006, we adopted our 2006 Employee Stock Option Plan as amended with a maximum number of 5,500,000 shares that may be issued. As of December 31, 2007, 4,140,867 options have been granted under this plan.

All of our Stock Option Plans are intended to encourage directors, officers, employees and consultants to acquire ownership of common stock. The opportunity so provided is intended to foster in participants a strong incentive to put forth maximum effort for our continued success and growth, to aid in retaining individuals who put forth such efforts, and to assist in attracting the best available individuals to the Company in the future. As of December 31, 2007, 5,102,711 options remain available for issuance.

Officers (including officers who are members of the board of directors), directors (other than members of the stock option committee to be established to administer the stock option plans) and other employees and consultants and its subsidiaries (if established) will be eligible to receive options under the stock option plans. The committee will administer the stock option plans and will determine those persons to whom options will be granted, the number of options to be granted, the provisions applicable to each grant and the time periods during which the options may be exercised. No options may be granted more than ten years after the date of the adoption of the stock option plans.

Non-qualified stock options will be granted by the committee with an option price equal to the fair market value of the shares of common stock to which the non-qualified stock option relates on the date of grant. The committee may, in its discretion, determine to price the non-qualified option at a different price. In no event may the option price with respect to an incentive stock option granted under the stock option plans be less than the fair market value of such common stock to which the incentive stock option relates on the date the incentive stock option is granted.

Edgar Filing: instaCare Corp. - Form 10-K/A

Each option granted under the stock option plans will be exercisable for a term of not more than ten years after the date of grant. Certain other restrictions will apply in connection with the plans when some awards may be exercised. In the event of a change of control (as defined in the stock option plans), the date on which all options outstanding under the stock option plans may first be exercised will be accelerated. Generally, all options terminate 90 days after a change of control.

The following table sets forth information as of December 31, 2007 regarding outstanding options granted under the plans, warrants issued to consultants and options reserved for future grant under the plan.

| Plan Category | Number of shares to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) (c) |
|--|---|---|---|
| Equity compensation plans approved by stockholders | | \$ | |
| Equity compensation plans not approved by stockholders | 825,000 | \$ 1.73 | 5,102,711 |
| Total | 825,000 | \$ 1.73 | 5,102,711 |

- (1) Includes 109,375 options remaining for issuance under the 2003 Option Plan, 3,334,203 options remaining for issuance under the 2004 Option Plan, 300,000 options remaining for issuance under the 2005 Option Plan, and 1,359,133 options remaining under the 2006 Option Plan.

Recent Sales of Unregistered Securities

On January 4, 2007, we issued a total of 227,200 shares of our common stock for services rendered to the Company to the following service providers:

| Name | Number of Shares |
|--------------------------------|-----------------------------|
| BMI Consulting, Inc. | |
| DCF, Inc. | 56,800 |
| Lima Capital, Inc. | 56,800 |
| Desert Southwest Capital, Inc. | 56,800 |

The above shares issued were registered in a Registration Statement on Form S-8POS filed on December 8, 2006.

On January 4, 2007, we issued 150,000 shares of our restricted common stock to Crescent Fund, LLC for services provided to the Company. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

On February 7, 2007, Mercator Momentum Fund, LP. and Monarch Pointe Fund, LP. Converted 500 Series C Preferred Stock into 232,666 shares of our common stock. The 232,666 shares of common stock were issued on February 28, 2007.

Edgar Filing: instaCare Corp. - Form 10-K/A

On February 12, 2007, we issued a total of 250,000 shares of our common stock for services rendered to the Company to the following service providers:

| Name | Number of Shares |
|-----------------|-----------------------------|
| Jeff Stone | 50,000 |
| Barbara Asbell | 70,000 |
| Leslie Wolf | 65,000 |
| Dr. Joseph Wolf | 65,000 |

The above shares issued were registered in a Registration Statement on Form S-8POS filed on December 8, 2006.

On February 15, 2007, we issued a total of 242,000 shares of our common stock for services rendered to the Company to the following service providers:

| Name | Number of Shares |
|-----------------|-----------------------------|
| John Heilshorn | 33,500 |
| Keith Lippert | 33,500 |
| Jeff Stone | 50,000 |
| Michael Belcher | 125,000 |

The above shares issued were registered in a Registration Statement on Form S-8POS filed on September 8, 2006.

On March 14, 2007, we issued a total of 130,000 shares of our common stock for services rendered to the Company to the following service providers:

| Name | Number of Shares |
|---------------|-----------------------------|
| Thais Abraham | 65,000 |
| Wendy Block | 65,000 |

Edgar Filing: instaCare Corp. - Form 10-K/A

The above shares issued were registered in a Registration Statement on Form S-8POS filed on December 8, 2006.

On March 14, 2007, Mercator Momentum Fund, LP. and Monarch Pointe Fund, LP. Converted 500 Series C Preferred Stock into 238,095 shares of our common stock.

On March 31, 2007, we issued 50,000 shares of our common stock for services rendered to the Company to the following service provider:

| Name | Number of Shares |
|-------------|-----------------------------|
| Chris Knapp | 50,000 |

The above shares issued were registered in a Registration Statement on Form S-8POS filed on December 8, 2006.

On April 5, 2007, we issued 50,000 shares of our restricted common stock to Nathan Kaplan and Svet Milic for license fees. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

Edgar Filing: instaCare Corp. - Form 10-K/A

On May 7, 2007, Mercator Momentum Fund, LP. and Monarch Pointe Fund, LP. Converted 840 shares of Series C Preferred Stock into 400,000 shares of our common stock.

On May 17, 2007, we issued a total of 625,000 shares of our common stock for services rendered to the Company to the following service providers:

| Name | Number of Shares |
|-----------------|-----------------------------|
| Thais Abraham | 158,000 |
| Barbara Asbell | 175,500 |
| Leslie Wolf | 145,000 |
| Dr. Joseph Wolf | 146,500 |

The above shares issued were registered in a Registration Statement on Form S-8POS filed on December 8, 2006.

On July 23, 2007, we issued 184,700 shares of our restricted common stock to three individuals for services rendered to the Company. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

On August 27, 2007, Mercator Momentum Fund, LP. and Monarch Pointe Fund, LP. Converted 300 shares of Series C Preferred Stock into 500,000 shares of our common stock.

On September 11, 2007, we issued a total of 1,000,000 shares of our common stock for services rendered to the Company to the following service providers:

| Name | Number of Shares |
|---------------|-----------------------------|
| Thais Abraham | 250,000 |

Edgar Filing: instaCare Corp. - Form 10-K/A

| | |
|-----------------|---------|
| Barbara Asbell | 250,000 |
| Leslie Wolf | 250,000 |
| Dr. Joseph Wolf | 250,000 |

The above shares issued were registered in a Registration Statement on Form S-8POS filed on August 31, 2007.

On September 19, 2007, we issued 200,000 shares of our restricted common stock to an individual for cash. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

Edgar Filing: instaCare Corp. - Form 10-K/A

On October 3, 2007, we issued a total of 5,250,000 shares of our restricted common stock to our officers and directors as a bonus for services to the Company. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

On October 3, 2007, we issued 7,500,000 shares of our restricted common stock to our CFO for the conversion of \$150,000 of debt. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

On November 20, 2007, we issued 833,334 shares of our common stock for services rendered to the Company to the following service provider:

| Name | Number of Shares |
|----------------|-----------------------------|
| Barbara Asbell | 833,334 |

The above shares issued were registered in a Registration Statement on Form S-8POS filed on August 31, 2007.

On November 26, 2007, we issued 10,500 shares of our common stock for services rendered to the Company to the following service provider:

| Name | Number of Shares |
|------------------|-----------------------------|
| J. Barry Johnson | 10,500 |

The above shares issued were registered in a Registration Statement on Form S-8POS filed on August 31, 2007.

On November 27, 2007, we issued 400,000 shares of our restricted common stock to two individuals for services provided to the Company. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

On December 5, 2007, we issued 231,559 shares of our restricted common stock to Centurion Credit Resources as financing fees in connection with our line of credit. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

Edgar Filing: instaCare Corp. - Form 10-K/A

On December 5, 2007, we issued 200,000 shares of our restricted common stock to Parallel Marketing Resources for services rendered to the Company. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

On December 5, 2007, we issued 833,333 shares of our common stock for services rendered to the Company to the following service provider:

| Name | Number of Shares |
|--|-----------------------------|
| Barbars Asbel in the name of Yoel Grun | 833,333 |

The above shares issued were registered in a Registration Statement on Form S-8POS filed on August 31, 2007.

Subsequent Issuances After Year-End.

On January 2, 2008, we issued 446,071 shares of our restricted common stock to Centurion Credit Resources as financing fees in connection with our line of credit. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

On January 2, 2008, we issued 750,000 shares of our common stock to employees for services rendered to the Company to the following service provider:

Number

Edgar Filing: instaCare Corp. - Form 10-K/A

| Name | of Shares |
|------------------|------------------|
| Alan Binder | 250,000 |
| Dale Richter | 250,000 |
| Shabnam Shahrabi | 100,000 |
| Frank Schwenden | 150,000 |

The above shares issued were registered in a Registration Statement on Form S-8POS filed on August 31, 2007.

On January 4, 2008, we issued 4,223 shares of our restricted common stock to Centurion Credit Resources as financing fees in connection with our line of credit. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

On January 4, 2008, we issued 1,250,000 shares of our restricted common stock to our CFO for services provided to the Company. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

On January 4, 2008, we issued 1,250,000 shares of our restricted common stock to Michael Petras for services provided to the Company. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

On January 14, 2008, we issued 400,000 shares of our restricted common stock to two individuals for services provided to the Company. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

On January 31, 2008, we issued 648,630 shares of our restricted common stock to Centurion Credit Resources as financing fees in connection with our line of credit. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that it was capable of evaluating the merits and risks of its investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to its investment decision.

Issuer Purchases of Equity Securities

We did not repurchase any of our equity securities during the years ended December 31, 2007 or 2006.

Item 6. Selected Financial Data.

Not applicable.

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

Overview of Current Operations

We are a publicly-traded distributor of life-saving prescription drugs and diagnostics to several channels in the healthcare industry, a Wi-Fi PDA technology provider to the lodging and satellite media industries, and a developer of patent-pending technologies for e-health and EMR applications that we employ to leverage and add value to our prescription drug and diagnostics business. Our proprietary ResidenceWare, MD@Hand and Satelink technologies manage critical data, enhance productivity and e-commerce, and facilitate communication with applications in the healthcare, apartment, hotel/motel and satellite rebroadcast industries. We have recently focused our business attention towards providing prescription drugs and medical diagnostics through several medical distribution channels.

Edgar Filing: instaCare Corp. - Form 10-K/A

During the next 12 months we plan to continue to focus our efforts on the following primary businesses:

- Providing medical communication devices based on networks of personal digital assistants (PDA). These products are believed to provide benefits of on demand medical information to private practice physicians, licensed medical service providers such as diagnostic testing laboratories, and medical insurers;
- The distribution of medical diagnostic products primarily aimed at institutions that service patients with diabetic and asthma related diseases and ailments. Our current market focus for these products is the long term care sector of the larger healthcare market, however we plan to expand into additional sectors where we can service certain chronic ambulatory disease states;
- The distribution and fulfillment of prescriptions for ethical pharmaceuticals primarily aimed at the indigent and uninsured sectors of the greater medical service markets. Our first market focus for these products will be those state Medicaid and Federally chartered clinics (and initiatives) where funding for pharmaceutical fulfillment enterprises exists;
- Building electronic commerce networks based on personal digital assistants (PDA) to the hotels, motels and single building, multi-unit apartment buildings with a desire to offer local advertising and electronic services to their tenants/guests; and
- Enter the cable and wireless communication industries and media enterprises with networks of personal digital assistant (PDA) technologies that link field-based installation and repair personnel with central offices for the exchange of customer order and subscription information.

Seasonality

We have completed the second full year of operation of our prescription drug and diabetes diagnostics. Our experiences point to a business that displays certain seasonal trends. In each of the last two operating years our order intake was concentrated in the first five months of the calendar year and then again in the last two months of the calendar year. One explanation is that these months correspond with the beginning of a prescription drug plan year where new prescription drug cards are distributed by insurers to their insured in January along with new plan formularies (price schedules). This in turn trends to influence stocking up buying/ordering behavior on the part of the insured.

Results of Operations for the fiscal years ended December 31, 2007 and 2006.

The following table summarizes selected items from the statement of operations at December 31, 2007 compared to December 31, 2006.

INCOME:

| | For the Year Ended | | Increase (Decrease) | |
|----------------------------------|---------------------------|---------------|----------------------------|----------|
| | December 31, | | \$ | % |
| | 2007 | 2006 | | |
| Revenue | \$ 6,254,278 | \$ 19,220,265 | \$ (12,965,987) | (67)% |
| Cost of Sales | 5,845,782 | 19,186,237 | (13,340,455) | (70)% |
| Gross Profit | 408,496 | 34,028 | 374,468 | 1,100% |
| Gross Profit Percentage of Sales | 6% | 0.18 | | 5.82% |

Revenue

Our revenue for the fiscal year ended December 31, 2007 was \$6,254,278 compared to revenue of \$19,220,265 in the fiscal year ended December 31, 2006. This resulted in a decrease in revenue of \$12,965,987, or 67%, from the same period a year ago. The decrease in revenue over the fiscal year ended December 31, 2006 was a result of our market focus towards the direct sale of diabetic test strips into several prescription drug channels and our efforts to increase our gross profit margin.

Cost of sales / Gross profit percentage of sales

Our cost of sales for the fiscal year ended December 31, 2007 was \$5,845,782, a decrease of \$13,340,455, or 70% from \$19,186,237 for the fiscal year ended December 31, 2006. The decrease in the cost of sales in the current period was a direct result of our decreased sales during the year and an increase in retail market sales. In addition, pursuant to supplier agreements, we were to receive volume rebates on bulk purchases totaling \$564,107. At December 31, 2006 we had not received payment on the accrued rebates and had doubt as to future collectibility therefore we wrote down the amount due at December 31, 2006.

Gross profit as a percentage of sales increased from 0.18% for the fiscal year ended December 31, 2006 to 0.18% for the fiscal year ended December 31, 2006. The increase in gross profit margin was caused by a change in our product mix whereby we increased our sales levels in the retail verses wholesale markets, which historically have a lower profit margin.

EXPENSES:

| | For the Year Ended | | | |
|-----------------------------------|---------------------------|---------------|------------------------------|----------|
| | December 31, | | Increase / (Decrease) | |
| | 2007 | 2006 | \$ | % |
| | Amount | Amount | | |
| Expenses: | | | | |
| General & administrative expenses | \$ 270,317 | \$ 637,463 | \$ (367,146) | (58)% |
| Consulting services | 728,438 | 569,743 | 158,695 | 28% |
| Payroll expense | 342,777 | 485,627 | (143,150) | (29)% |
| Professional fees | 148,079 | 592,968 | (444,889) | (75)% |
| Depreciation | 46,726 | 48,027 | (1,301) | (3)% |
| Total expenses | 1,536,337 | 2,334,128 | (797,791) | (34)% |

| | | | | |
|-------------------------|----------------|----------------|--------------|-------|
| Net operating (loss) | (1,127,841) | (2,300,100) | 1,172,259 | (51)% |
| Other income (expense): | | | | |
| Financing costs | (45,429) | (249,408) | 203,979 | (82)% |
| Interest (expense) | (236,509) | (205,302) | (31,207) | (15)% |
| Net (loss) | \$ (1,409,779) | \$ (2,754,810) | \$ 1,345,031 | (49)% |

General and Administrative Expenses

General and administrative expenses for the fiscal year ended December 31, 2007 were \$270,317, a decrease of \$367,146, or 58%, from \$637,463 for the fiscal year ended December 31, 2006. The decrease in general and administrative expenses was due over all overhead decrease from the decline in sales revenue.

Consulting Services

Consulting services for the fiscal year ended December 31, 2007 were \$728,438, an increase of \$158,695, or 28%, from \$569,743 for the fiscal year ended December 31, 2006. The increase in consulting services was due to our decreased sales limiting our ability to maintain internal staff.

Payroll expense

Payroll expenses for the fiscal year ended December 31, 2007 were \$342,777, a decrease of \$143,150, or 29%, from \$485,627 for the fiscal year ended December 31, 2006. The decrease was due to the elimination full time employees who were replaced by regional part-time and at-will specialists.

Professional Fees

Professional fees for the fiscal year ended December 31, 2007 were \$148,079, a decrease of \$444,889, or 78%, from \$592,968 for the fiscal year ended December 31, 2006. The decrease in professional fees was due to the elimination of previous legal fees required in connection with litigation surrounding the Ronald Kelly, et al and Investor Relations Services, Inc. matters.

Depreciation

Depreciation for the fiscal year ended December 31, 2007 was \$46,726, a decrease of \$1,301 from \$48,027 for the fiscal year ended December 31, 2006. The decrease in depreciation is the expected result of asset reaching their expected useful lives.

Total Expenses

Total expenses for the fiscal year ended December 31, 2007 were \$1,536,337, a decrease of \$797,791, or 34%, from \$2,334,128 for the fiscal year ended December 31, 2006. The decrease in total expenses was primarily due to a reduction in general and administrative expenses and professional fees.

Net Operating Loss

Net operating loss for the fiscal year ended December 31, 2007 was \$1,127,841, versus a net operating loss of \$2,300,100 for the fiscal year ended December 31, 2006, a change of net operating loss of \$1,172,259. The decrease in net operating loss for the year ended December 31, 2007 was primarily attributable to the decrease in overall expenses due to our limited sales activity during the year ended December 31, 2007.

Financing Costs

Financing costs for the fiscal year ended December 31, 2007 were \$45,429, a decrease of \$203,979, or 82%, from \$249,408 for the fiscal year ended December 31, 2006. During the year ended December 31, 2006, we paid various penalties related to our financing activities. In 2007 we did not experience the same penalties and were able to minimize our financing costs.

Interest Expense

Interest expense for the fiscal year ended December 31, 2007 was \$236,509, an increase of \$31,207, or 15%, from \$205,302 for the fiscal year ended December 31, 2006. The increase in interest expense was the result of changes in interest rates during the year.

Net Loss

Net loss for the fiscal year ended December 31, 2007 was \$1,409,779, a decrease of \$1,345,031, or 49%, from \$2,754,810 for the fiscal year ended December 31, 2006. The decrease in net loss was the result of our overall decrease in professional fees and general and administrative expenses during the year.

Liquidity and Capital Resources

A critical component of our operating plan impacting our continued existence is the ability to obtain additional capital through additional equity and/or debt financing. We do not anticipate generating sufficient positive internal operating cash flow until such time as we can deliver our product to market, complete additional financial service company acquisitions and generate substantial revenues, which may take the next few years to fully realize. In the event we cannot obtain the necessary capital to pursue our strategic plan, we may have to cease or significantly curtail our operations. This would materially impact our ability to continue operations.

The following table summarizes our current assets, liabilities and working capital at December 31, 2007 compared to December 31, 2006.

| | December 31, 2007 | December 31, 2006 | Increase / (Decrease) | |
|------------------------------|----------------------|----------------------|-----------------------|-------|
| | | | \$ | % |
| Current Assets | \$ 773,660 | \$ 286,667 | \$ 486,993 | 170% |
| Current Liabilities | \$ 2,758,243 | \$ 2,604,610 | \$ 153,633 | 6% |
| Working Capital (deficit) | \$ (1,984,583) | \$ (2,317,943) | \$ (333,360) | (14)% |

Internal and External Sources of Liquidity

MAG Entities Agreement

On February 7, 2005, we entered into agreements with Mercator Momentum Fund, LP and Monarch Pointe Fund, Ltd. (collectively, the Purchasers) and Mercator Advisory Group, LLC (MAG). Under the terms of the agreement, we agreed to issue and sell to the Purchasers, and the Purchasers agreed to purchase from the Company, 20,000 shares of Series C Convertible Preferred Stock at \$100.00 per share. During the year ended December 31, 2007 MAG converted 2,140 shares of their Series C preferred into 1,370,761 shares of our restricted common stock.

Additionally, we issued the following warrants: 103,125 warrants to purchase share of our common stock at \$1.60 per share and 103,125 warrants to purchase shares of our common stock at \$2.40 to Mercator Momentum Fund, LP; 209,375 warrants to purchase shares of our common stock at \$1.60 per share and 209,375 warrants to purchase shares of our common stock at \$2.40 per share to Monarch Pointe Fund, Ltd.; and 312,500 warrants to purchase shares of our

common stock at \$1.60 per share and 312,500 warrants to purchase shares of our common stock at \$2.40 per share to MAG. All of the warrants expire on February 7, 2008.

Pinnacle Investment Partners, LP Promissory Note

On March 24, 2004, we entered into a Secured Convertible Promissory Note with Pinnacle Investment Partners, LP for the principal amount of \$700,000 with an interest rate of 12% per annum. The note was secured by 212,500 shares of our common stock. Pinnacle may, at its option, at any time from time to time, elect to convert some or all of the then-outstanding principal of the Note into shares of our common stock at a conversion price of \$0.08 per share, unless such conversion would result in Pinnacle being deemed the beneficial owner of 4.99% or more of the then-outstanding common shares within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended. In the event we fail to pay any installment or principal or interest when due, the interest rate will then accrue at a rate of 24% per annum on the unpaid balance until the payment default is cured.

On February 10, 2005, we entered into a Note Extension Agreement with Pinnacle Investment Partners, LP. Subject to the terms of the new agreement; on March 24, 2005, Pinnacle agreed to pay us \$340,000 and (2) pay to Pinnacle's designee, CJR Capital, LLC, \$60,000 towards Pinnacle's due diligence and legal expenses related to this new agreement. This new agreement has the following consequences: (1) the principal amount due under the Note automatically increases by \$400,000 to \$1,100,000; (2) the Maturity Date of the newly revised Note was extended to April 24, 2006; and (3) the conversion price for those shares that underlie the Note was changed to \$2.00.

On July 1, 2006, we entered into a fourth Note Extension Agreement with Pinnacle Investment Partners, LP. Subject to the terms of the new agreement Pinnacle agreed to pay us \$35,000 and pay to Pinnacle's designee, CJR Capital, LLC, \$35,000 towards Pinnacle's due diligence and legal expenses related to the new agreement. The new agreement has the following consequences: (1) the principal amount due under the Note automatically increases from \$1,010,309 to \$1,100,000; (2) the Maturity Date of the newly revised Note was extended to December 24, 2006; and (3) the conversion price for those shares that underlie the Note was changed to \$0.30.

In addition to the above, we agreed: (1) to deliver to Pinnacle's counsel an additional 2,000,000 shares of our common stock (over and above current escrow holdings) as additional escrow security, (2) issue 150,000 shares of our common stock to Pinnacle in consideration for their willingness to enter into the extension agreement; and (3) upon receipt of any properly crafted Seller's Representation Letter, deliver to Pinnacle an opinion of counsel to the effect that commencing July 1, 2006, Pinnacle may sell under Rule 144 promulgated under the Securities Act of 1933, as amended, shares surrendered to Pinnacle in accordance with this agreement, on condition that (1) Pinnacle uses the proceeds to pay down the indebtedness under the Note as of immediately prior to effectiveness of this agreement and (2) ceases to sell any of those Shares once that indebtedness has been paid off in full. On August 3, 2006, we were informed through media outlets and the printed press that the principals of Pinnacle Investment Partners, LP had been charged with several financial crimes and that the fund had been frozen and its officers remanded. Since August 3, 2006, the Company has not had contact with any of the Pinnacle fund management or attorney in fact. We have not delivered the shares called for under the July 1, 2006 extension after being advised by the fund management to stand still.

Promissory Notes with Dennis Cantor and Novex International

On May 23, 2006, we entered into a promissory note with Dennis Cantor and Novex International for the principal amount of \$255,000. Pursuant to the note we promised to pay Dennis Cantor and Novex International the sum of \$255,000 together with interest at a rate of one half of one percent (0.5%) every ten days beginning on May 23, 2006 and running through the maturity date of June 30, 2006. In the case of a default in payment of principal, all overdue amounts under the note shall bear a penalty obligation at a rate of twelve percent (12%) per annum accruing from the maturity date. On July 1, 2006, we extended the note to July 31, 2006. We have made principal payments of \$125,000 through the year ended December 31, 2007. As of December 31, 2007, the remaining principal balance was \$130,000 and we are currently negotiating a revised payment schedule.

Convertible Loan Payment Agreement

On July 17, 2006, we entered into a convertible loan payment agreement with Wayne G. Knapp wherein Mr. Knapp agreed to loan the Company the sum of \$200,000. The loan is for 120 days. On October 17, 2006, we renewed the note. On January 17, 2007, the parties verbally agreed to a renewal that expires on May 16, 2007. The note accrues monthly interest at a rate of 1.50% and the interest is payable quarterly in cash. The total amount owing pursuant to the agreement, was convertible at the option of Mr. Knapp at any time from July 17, 2006 until November 30, 2006, at the strike price equal to \$0.32 per share or 90% of the final bid price of our common stock on the day prior to conversion with a floor price of \$0.10 per share. We renewed Mr. Knapp's conversion option on January 17, 2007. We

also issued Mr. Knapp a warrant to purchase 50,000 shares of our common stock at \$0.32 per share through December 31, 2008. Mr. Knapp exercised his option on March 30, 2007.

Centurion Credit Resources

On November 17, 2007, we entered into an agreement with Centurion Credit Resources, LLC to secure a \$1,000,000 revolving credit facility that is geared specifically to our business. This facility, offered to us at market credit rates. Terms of the credit facility allow us to increase the available credit in increments of \$250,000 as our business grows. We drew down on this credit line for the first time on November 30, 2007 and have subsequently accomplished seventeen additional draw downs through December 31, 2008 and twenty two additional draw downs through March 28, 2008. We believe that this facility will adequately finance our at home diabetes diagnostics business through revenues rates of \$7.5 million per quarter, and with the added credit increments offered, through \$12.5 million per quarter. We are also entertaining additional proposed credit facilities.

Cash Flow. Since inception, we have primarily financed our cash flow requirements through the issuance of common stock, the issuance of notes and sales generated income. With the growth of our current business in 2006 we may, during our normal course of business, experience net negative cash flows from operations, pending receipt of revenue which often are delayed as a result of the nature of the healthcare industry. Further, we may be required to obtain financing to fund operations through additional common stock offerings and bank or other debt borrowings, to the extent available, or to obtain additional financing to the extent necessary to augment our available working capital.

Satisfaction of our cash obligations for the next 12 months.

As of December 31, 2007, our cash balance was \$4,353. Our plan for satisfying our cash requirements for the next twelve months is through additional equity, third party financing, and/or debt financing. We anticipate sales-generated income during that same period of time, but do not anticipate generating sufficient amounts of positive cash flow to meet our working capital requirements. Consequently, we intend to make appropriate plans to insure sources of additional capital in the future to fund growth and expansion through additional equity or debt financing or credit facilities.

As we expand operational activities, we may continue to experience net negative cash flows from operations, pending receipt of sales or development fees, and will be required to obtain additional financing to fund operations through common stock offerings and debt borrowings to the extent necessary to provide working capital. We received a substantial number of sales orders and refill orders beginning in mid-September 2006 which we could not fill. It was not until the company entered into the agreement with Centurion Credit Resources, LLC that the company could fill orders for patients and customers on a continuous basis. Until the Centurion credit line was put in place we managed to keep a small portion of our distribution activities going when our limited resources allowed us.

Although we recorded an operating profit in the period ending March 31, 2006, we have incurred additional operating losses for the remainder of 2006 and in each quarter in 2007. Given our recent operating history, predictions of future operating results difficult to ascertain. The recent addition of a credit line has helped but we have found it increasingly difficult to transact commerce in the very cash intensive prescription drug industry. Thus, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stages of commercial viability, particularly companies in new and rapidly evolving technology markets. Such risks include, but are not limited to, an evolving and unpredictable business model and the management of growth. To address these risks we must, among other things, implement and successfully execute our business and marketing strategy, continue to develop and upgrade technology and products, respond to competitive developments, and continue to attract, retain and motivate qualified personnel. There can be no assurance that we will be successful in addressing such risks, and the failure to do so can have a material adverse effect on our business prospects, financial condition and results of operations.

Expected purchase or sale of plant and significant equipment.

We do not anticipate the purchase or sale of any plant or significant equipment; as such items are not required by us at this time.

Going Concern

The financial statements included in this filing have been prepared in conformity with generally accepted accounting principles that contemplate the continuance of the Company as a going concern. The Company's cash position is currently inadequate to pay all of the costs associated with testing, production and marketing of products. Management intends to use borrowings and security sales to mitigate the effects of its cash position, however no assurance can be given that debt or equity financing, if and when required will be available. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue existence.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results or operations, liquidity, capital expenditures or capital resources that is material to investors.

Critical Accounting Policies and Estimates

Revenue Recognition: The Company recognizes revenue on multi-deliverables in compliance with the requirements of EITF 00-21. As previously disclosed, the Company recognizes revenue based on contractual milestones achieved pursuant to terms outlined in each individual contract. Typical milestones would include completion of installation and functionality testing of hardware and/or software in the prescribed environment. Upon effective use, the client is invoiced, and the Company recognizes revenue. In addition, the company's business model assumes several types of follow-on sales, such as paid advertising and additional hardware/software sales. Paid advertising consists of commercial use of the Company's Residence Ware message management system whereby each company advertising on the Residence Ware pay a fee to the Company based on each sale generated through the advertisements. All revenue generated through the on-line advertising is recognized upon receipt of payment per SOP 97-2. Aftermarket sales and services are recognized upon shipment of product or completion of services

Stock-based Compensation: In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 123 (revised 2004) Share-Based Payment (SFAS 123R), which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. Statement 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. Generally, the approach in Statement 123R is similar to the approach described in Statement 123. However, Statement 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative.

Recent Accounting Developments

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159). SFAS No. 159 allows the company to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 159 is not expected to have a material impact on our financial position, results of operation or cash flows.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements. This statement amends ARB 51 to establish accounting and reporting standards for the non-controlling (minority) interest in a subsidiary and for the de-consolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is equity in the consolidated financial statements. SFAS No. 160 is effective for fiscal years and interim periods beginning after December 15, 2008. The adoption of SFAS 160 is not expected to have a material impact on our financial position, results of operation or cash flows.

In December 2007, the FASB issued SFAS No. 141 (Revised), Business Combinations. SFAS 141 (Revised) establishes principals and requirements for how an acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree.

This statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective for the fiscal year beginning after December 15, 2008. The adoption of SFAS 141(Revised) is not expected to have a material impact on our financial position, results of operation or cash flows.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

Management Responsibility for Financial Information

We are responsible for the preparation, integrity and fair presentation of our financial statements and the other information that appears in this annual report on Form 10-K. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include estimates based on our best judgment.

We maintain a comprehensive system of internal controls and procedures designed to provide reasonable assurance, with an appropriate cost-benefit relationship, that our financial information is accurate and reliable, our assets are safeguarded, and our transactions are executed in accordance with established procedures.

We retained Weaver & Martin, LLC, an independent registered public accounting firm, to audit our consolidated financial statements. Its accompanying report is based on audits conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

Item 9. Changes in and Disagreements With Accountants On Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Chief Financial Officer, Keith Berman, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this annual report on Form 10-K. Based on this evaluation, our Chief Financial Officer concluded that, as of December 31, 2007, our disclosure controls and procedures are ineffective in ensuring that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Management's Report on Internal Control over Financial Reporting.

Our Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(c) and (d) of the Exchange Act. Our internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, financial disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable and in accordance with generally accepted accounting principles of the United States of America (GAAP).

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, effectiveness of internal control over financial reporting may vary over time.

A significant deficiency is a control deficiency, 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the company's annual or interim financial statements that is more than inconsequential will not be prevented or detected. An internal control material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

As part of our compliance efforts relative to Section 404 of the Sarbanes-Oxley Act of 2002, our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2007. In making this assessment, management used the criteria set forth in the Internal Control - Integrated Framework by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). We evaluated control deficiencies identified through our test of the design and operating effectiveness of controls over financial reporting to determine whether the deficiencies, individually or in combination, are significant deficiencies or material weaknesses. In performing the assessment, our management has identified one material weakness in internal control over financial reporting existing as of December 31, 2007. Our evaluation of the significance of each deficiency included both quantitative and qualitative factors. Based on that evaluation, the Company's management concluded that as of December 31, 2007, and as of the date that the evaluation of the effectiveness of our internal controls and procedures was completed, the Company's internal controls are not effective, for the reason discussed below:

Segregation of Duties

As a result of the loss of an employee within the accounting department in September 2007, we were unable to meet certain segregation of duties criteria and did not have existing resources for creating a compensating control mechanism. In November of 2007, during our evaluation of our internal controls our Chief Financial Officer identified the inability to include proper segregation of transaction authorization, transaction processing and custody within our accounting department, resulting in a material weakness in our internal controls over financial reporting.. Despite our material weakness regarding our segregation of duties, we believe that our 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.

Remediation Initiative

We have rectified the segregation of duties weakness through a change in our internal control procedures during the first quarter of 2008. We have implemented certain processes whereby we are utilizing our entire staff to provide appropriate checks and balances over all functions that could potentially have a material impact on our financial statements. Further, we have engaged an outside consulting firm to assist us in implementing additional controls to improve our overall control processes. In addition, it is our intention to hire a minimum of one qualified accounting individual as soon as the necessary financial resources become available.

Other than the weakness identified above and our remediation of the weakness, there were no other changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 Securities and Exchange Commission that permits the company to provide only management's report in this annual report.

/s/ Keith Berman

Keith Berman

Chief Financial Officer

Item 9B. Other Information.

None.

PART III

ITEM 10. Directors and Executive Officers

Our executive officers, directors, and key employees are:

| Name | Age | Position |
|-----------------|------------|--------------------------------------|
| Keith Berman | 53 | Chief Financial Officer and Director |
| Robert Jagunich | 60 | Director |

Our shareholders elect our directors annually and our board of directors appoints our officers annually. Vacancies in our board are filled by the board itself. Set forth below are brief descriptions of the recent employment and business experience of our executive officers and directors.

Keith Berman has served as Chief Financial Officer, Secretary, Treasurer and Director of the Company since January of 2003. For over the past 15 years, Mr. Berman has been involved in the development of healthcare software including Intranet and Internet systems. From July 1999 to present, Mr. Berman has held the position of President, founder and director of Caredecision.net, Inc. a private company engaged in e-health technology development. From March 2001 through June 2002 Mr. Berman also held the Position of President and Director of Medicius, Inc. From January 1996 to June 1999 Mr. Berman was the President and founder of Cymedix, the operating division of Medix Resources, Inc., now Ramp Corp. (RCO). Cymedix was a pioneer company in what was then known as i-health (Internet healthcare) now the e-health industry. Mr. Berman received a BA in 1975 and an MBA in 1977, from Indiana University.

Robert Jagunich has served as a Director of the Company since January of 2003. Mr. Jagunich has 27 years of experience in the medical systems and device industry. From August 1992 to present, he has held the position of President at New Abilities Systems, a privately held manufacturer of advanced electronic systems used in rehabilitation. He also provides consulting services to companies such as Johnson and Johnson and has served as a senior executive in such publicly held companies as Laserscope and Acuson. From April 1996 to December 1997 Mr. Jagunich acted as a director of Cymedix Corporation, the operating entity of Medix Resources, Inc., now Ramp Corp. (AMEX:RCO). He received his BS in 1969, and his MS and MBA in 1971, from the University of Michigan.

Mr. Berman, officer and director, devotes his complete business time to the Company. Mr. Jagunich attends meetings of the board of directors when held and provides 33% of his business time in a professional capacity to the Company.

Code of Ethics

We have not yet adopted a code of ethics that applies to our principal executive officers or persons performing similar functions, since we have been focusing our efforts on obtaining financing for the company. We expect to adopt a code by the end of the current fiscal year.

Audit Committee

The entire board of directors acts as our audit committee. We do not have an audit committee financial expert serving on our audit committee at this time. We propose to expand our board of directors in the near future to include a financial expert.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors, and persons who beneficially own more than 10% of our common stock to file reports of securities ownership and changes in such ownership with the Securities and Exchange Commission (SEC). Officers, directors and greater than 10% beneficial owners are also required by rules promulgated by the SEC to furnish us with copies of all Section 16(a) forms they file.

Based solely upon a review of the copies of such forms furnished to us, or written representations that no Form 5 filings were required, we believe that during the fiscal year ended December 31, 2007, there was compliance with all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% beneficial owners.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth information the remuneration of our chief executive officers and our two most highly compensated executive officers who served as executive officers at the end of December 31, 2007 and earned in excess of \$100,000 per annum during any part of our last two fiscal years:

Summary Compensation Table

| Name and Principal Position | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$) | Option Awards (\$) | Non- Equity Incentive Plan Compensation (\$) | Nonqualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Total (\$) |
|-------------------------------------|------|----------------|---------------|-------------------------|--------------------------|---|---|--------------------------------------|---------------|
| | | | | | | | | | |
| Robert Cox, Former CEO (1) | 2007 | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| | 2006 | \$ 66,500 | -0- | -0- | -0- | -0- | -0- | -0- | \$ 66,500 |
| Keith Berman, CFO (2) | 2007 | \$ 18,340 | -0- | \$ 91,125 | -0- | -0- | -0- | -0- | \$ 109,465 |
| | 2006 | \$ 36,200 | -0- | -0- | -0- | -0- | -0- | -0- | \$ 36,200 |
| Robert Jagunich, Director (3) | 2007 | -0- | -0- | \$ 86,250 | -0- | -0- | -0- | -0- | \$ 86,250 |
| | 2006 | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |

(1)

On August 15, 2006, Mr. Cox resigned as Chief Executive Officer and Chairman.

(2)

Mr. Berman has served as Chief Financial Officer since January 2003.

(3)

Mr. Jagunich has served as a Director since January 2003.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

| Name (a) | Number of Securities Underlying Unexercised Options (#) Exercisable (b) | Number of Securities Underlying Unexercised Options (#) Unexercisable (c) | Number of Securities Underlying Unexercised Options (#) (d) | Equity Incentive Plan Awards: | | | Equity Incentive Plan Awards: | | |
|--------------------------------------|---|---|---|-------------------------------|----------------------------|---|--|--|---|
| | | | | Option Exercise Price (\$ (e) | Option Expiration Date (f) | Number of Shares or Units of Stock That Have Not Vested (#) (g) | Market Value of Shares or Units of Stock That Have Not Vested (\$) (h) | Shares, Units or Other Rights That Have Not Vested (#) (i) | Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (j) |
| Robert Cox, Former CEO (1) | 337,500 | -0- | -0- | \$ 1.76 | 2/15/10 | -0- | -0- | -0- | - |
| Keith Berman, Secretary/Treasurer | 337,500 | -0- | -0- | \$ 1.76 | 2/15/10 | -0- | -0- | -0- | - |
| Robert Jagunich Director | 112,500 | -0- | -0- | \$ 1.76 | 02/15/10 | -0- | -0- | -0- | - |

(1) On August 15, 2006, Mr. Cox resigned as Chief Executive Officer and Chairman.

Compensation of Directors

All directors will be reimbursed for expenses incurred in attending Board or committee, when established, meetings. From time to time, certain directors who are not employees may receive shares of our common stock.

Stock Option Plans

2003 Stock Option Plan

Effective January 1, 2003, we adopted the 2003 Stock Option Plan. The maximum number of shares that may be issued pursuant to the plan is 312,500 shares. As of December 31, 2007, 166,250 shares have been granted and subsequently expired under this plan.

2004 Stock Option Plan

Effective April 21, 2004, we adopted the 2004 Stock Option Plan, as amended, with a maximum number of 6,312,500 shares that may be issued. As of December 31, 2007, 2,978,297 options have been granted, and exercised under this plan.

2005 Merger Consolidated Stock Option Plan

On February 5, 2005, we adopted our 2005 Merger Consolidated Stock Option Plan. The maximum number of shares that may be issued pursuant to the plan is 1,125,000 shares. As of December 31, 2007, 825,000 shares have been granted under this plan.

2006 Stock Option Plan

On December 8, 2006 we adopted our 2006 Employee Stock Option Plan and granted incentive and nonqualified stock options with rights to purchase 1,500,000 shares of our \$0.001 par value common stock. On August 24, 2006, we authorized an increase of 4,000,000 shares to the plan. As of December 31, 2007, 4,140,867 have been granted and exercised under this plan.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Edgar Filing: instaCare Corp. - Form 10-K/A

The following table sets forth certain information, as of March 28, 2007, concerning shares of our common stock, the only class of our securities that are issued and outstanding, held by (1) each stockholder known by us to own beneficially more than five percent of the common stock, (2) each of our directors, (3) each of our executive officers, and (4) all of our directors and executive officers as a group:

| Name and Address of Beneficial Owner (1) | Amount and Nature of Beneficial Ownership | Percent of Class (2) |
|---|--|----------------------|
| Keith Berman, CFO 1623 Elmsford Westlake Village, CA 91361 | 11,939,299 | 34.4% |
| Robert Jagunich, Director (3) 765 Christine Drive Palo Alto, CA 94303 | 5,189,809 | 15.0% |
| Officers and directors as a group (6 persons) | 15,879,108 | 49.4% |

- (1) To our knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws, each person named in the table has sole voting and investment power with respect to the shares set forth opposite such 34,700,688 shares of Common Stock outstanding as of March 28, 2008.
- (2) If a person listed on this table has the right to obtain additional shares of Common Stock within 60 days from March 28, 2008 the additional shares are deemed to be outstanding for the purpose of computing the percentage of class owned by such person, but are not deemed to be outstanding for the purpose of computing the percentage of any other person.
- (3) Includes 1,250,000 shares r/n/o Michael Petras, an affiliate of Mr. Jagunich.

Equity Compensation Plans

We did not have any equity compensation plans outstanding as of December 31, 2007.

Changes in Control

None.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Other than as disclosed below; our present directors, officers or principal shareholders, nor any family member of the foregoing, nor, to the best of our information and belief, any of our former directors, senior officers or principal shareholders, nor any family member of such former directors, officers or principal shareholders, has or had any material interest, direct or indirect, in any transaction, or in any proposed transaction which has materially affected or will materially affect us.

Keith Berman

We have received cash advances from our chief executive officer for operational expenses. The advances are due on demand and accrued interest at a rate of 9.5%. On September 28, 2007, he elected to convert \$150,000 of the principal balance into 7,500,000 shares of our common stock or \$0.02 per share. The market value of our shares on the date of conversion was \$0.04. As of December 31, 2007, the remaining principal balance was \$280. In addition, we have accrued interest totaling \$9,883, which is unpaid at December 31, 2007.

Future Transactions

All future affiliated transactions will be made or entered into on terms that are no less favorable to us than those that can be obtained from any unaffiliated third party. A majority of the independent, disinterested members of our board of directors will approve future affiliated transactions. We believe that of the transactions described above have been on terms as favorable to us as could have been obtained from unaffiliated third parties as a result of arm's length negotiations.

Conflicts of Interest

In accordance with the laws applicable to us, our directors are required to act honestly and in good faith with a view to our best interests. In the event that a conflict of interest arises at a meeting of the board of directors, a director who has such a conflict will disclose the nature and extent of his interest to the meeting and abstain from voting for or against the approval of the matter in which he has a conflict.

Director Independence

Our common stock trades in the OTC Bulletin Board. As such, we are not currently subject to corporate governance standards of listed companies, which require, among other things, that the majority of the board of directors be independent.

Since we are not currently subject to corporate governance standards relating to the independence of our directors, we choose to define an independent director in accordance with the NASDAQ Global Market's requirements for independent directors (NASDAQ Marketplace Rule 4200). The NASDAQ independence definition includes a series of objective tests, such as that the director is not an employee of the company and has not engaged in various types of business dealings with the company.

We do not have any directors that may be considered an independent director under the above definition. We do not list that definition on our Internet website.

We presently do not have an audit committee, compensation committee, nominating committee, executive committee of our Board of Directors, stock plan committee or any other committees.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

(1) AUDIT FEES

The aggregate fees billed for professional services rendered by Weaver & Martin, LLC, for the audit of our annual financial statements and review of the financial statements included in our Form 10-QSB or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for fiscal years 2007 and 2006 were \$42,550 and \$, respectively.

(2) AUDIT-RELATED FEES

NONE.

(3) TAX FEES

NONE.

(4) ALL OTHER FEES

NONE.

(5) AUDIT COMMITTEE POLICIES AND PROCEDURES

We do not have an audit committee.

(6) If greater than 50 percent, disclose the percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees.

Not applicable.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

The following information required under this item is filed as part of this report:

(a) 1. Financial Statements

| | Page |
|---|------|
| Report of Independent Registered Public Accounting Firm | F-1 |
| Consolidated Balance Sheets | F-2 |
| Consolidated Statements of Operations | F-4 |
| Consolidated Statements of Stockholders Equity | F-5 |
| Consolidated Statements of Cash Flows | F-6 |
| Footnotes to Consolidated Financial Statements | F-8 |

(b) 2. Financial Statement Schedule

None.

(c) 3. Exhibit Index

| Exhibit number | Exhibit description | Filed herewith | Incorporated by reference | | | |
|---------------------------|--|---------------------------|----------------------------------|--------------------------|------------------------|------------------------|
| | | | Form | Period ending | Exhibit No. | Filing date |
| 3(i)(a) | Articles of Incorporation Filed March 2, 2001 | | 10-SB | | 3a | 9/27/01 |
| 3(i)(b) | Articles of Amendments to Articles of Incorporation Filed May 9, 2001 | | 10-SB | | 3b | 9/27/01 |
| 3(i)(c) | Articles of Amendments to Articles of Incorporation Filed August 2, 2002 | | 10-QSB | 6/30/02 | 3.1c | 8/22/02 |
| 3(ii) | Bylaws of CareDecision Corporation March 16, 2001 | | 10-SB | | 3c | 9/27/01 |
| 10.1 | Business Consulting Agreement Mark W. Lancaster February 17, 2002 | | S-8 | | 4.11 | 3/1/02 |
| 10.2 | Consulting Agreement Mark Chaim Drizin February 26, 2002 | | S-8 | | 4.12 | 3/1/02 |
| 10.3 | Consulting Agreement Barbara Asbell July 30, 2002 | | S-8 | | 4.11 | 8/7/02 |
| 10.4 | Consulting Agreement Barbara Asbell August 13, 2002 | | S-8 | | 4.11 | 9/4/02 |
| 10.5 | Service Agreement Robert Jagunich September 1, 2002 | | S-8 | | 4.11 | 10/1/02 |
| 10.6 | Consulting Agreement Glen E. Greenfelder Jr. October 1, 2002 | | S-8 | | 4.11 | 12/17/02 |
| 10.7 | Consulting Agreement Dr. Joseph Wolf January 3, 2003 | | S-8 | | 4.11 | 1/24/03 |
| 10.8 | Consulting Agreement Thomas Chillemi January 10, 2003 | | S-8 | | 4.12 | 1/24/03 |
| 10.9 | Consulting Agreement Dailyfinancial.com Inc. October 21, 2002 | | SB-2/A | | 10.1 | 4/29/03 |

Edgar Filing: instaCare Corp. - Form 10-K/A

| | | | | | |
|-------|---|--------------------|-------------------|--------|--------------|
| 10.10 | Agent s Representation Agreement | CareDecision.net | SB-2/A | 10.2 | 4/29/03 |
| | August 20, 2002 | | | | |
| 10.11 | Service Agreement | Robert Jagunich | September 1, 2002 | SB-2/A | 10.3 4/29/03 |
| 10.12 | Secured Convertible Revolving Promissory Note | | | SB-2/A | 10.4 4/29/03 |
| | M & E Equities, LLC | | April 23, 2002 | | |
| 10.13 | Service Agreement | Robert Jagunich | December 11, 2002 | SB-2/A | 10.5 4/29/03 |
| 10.14 | Consulting Agreement | Wizard Enterprises | | SB-2/A | 10.6 4/29/03 |
| | December 13, 2002 | | | | |

| Exhibit number | Exhibit description | Filed herewith | Incorporated by reference | | | |
|---------------------------|--|---------------------------|----------------------------------|--------------------------|------------------------|------------------------|
| | | | Form | Period ending | Exhibit No. | Filing date |
| 10.15 | Consulting Agreement Wizard Enterprises December 20, 2002 | | SB-2/A | | 10.7 | 4/29/03 |
| 10.16 | Consulting Agreement Barbara Asbell December 13, 2002 | | SB-2/A | | 10.8 | 4/29/02 |
| 10.17 | Program Agreement between PharmaCare Management Services, Inc. and CareDecision.net Incorporated May 4, 2001 | | SB-2/A | | 10.9 | 4/29/02 |
| 10.18 | Consulting Agreement Paradigm Partners September 15, 2002 | | SB-2/A | | 10.10 | 4/29/02 |
| 10.19 | Letter of Intent between ATR Search and Medicius April 3, 2002 | | SB-2/A | | 10.11 | 4/29/02 |
| 10.20 | Consulting Agreement Ely Mandell August 5, 2003 | | SB-2/A | | 4.12 | 8/14/03 |
| 10.21 | Consulting Agreement Dr. Joseph A. Wolf July 15, 2003 | | SB-2/A | | 4.13 | 8/14/03 |
| 10.22 | Consulting Agreement Leslie Michelle Abraham - July 15, 2003 | | SB-2/A | | 4.14 | 8/14/03 |
| 10.23 | Consulting Agreement Thomas Chillemi July 10, 2003 | | SB-2/A | | 4.15 | 8/14/03 |
| 10.24 | Consulting Agreement Anthony Quintiliana July 1, 2003 | | SB-2/A | | 4.16 | 8/14/03 |
| 10.25 | Consulting Agreement Barbara Asbell | | SB-2/A | | 4.17 | 8/14/03 |

Edgar Filing: instaCare Corp. - Form 10-K/A

July 1, 2003

| | | | | | |
|-------|----------------------|-----------------|--------|-------|---------|
| 10.26 | Consulting Agreement | Thomas Chillemi | SB-2/A | 10.13 | 8/29/03 |
|-------|----------------------|-----------------|--------|-------|---------|

March 28, 2003

| | | | | | |
|-------|----------------------|---------------------|-----|------|----------|
| 10.27 | Consulting Agreement | Dr. Joseph A. Wolfe | S-8 | 4.13 | 12/16/03 |
|-------|----------------------|---------------------|-----|------|----------|

December 1, 2003

| | | | | | |
|-------|----------------------|-------------------------|-----|------|----------|
| 10.28 | Consulting Agreement | Leslie Michelle Abraham | S-8 | 4.14 | 12/16/03 |
|-------|----------------------|-------------------------|-----|------|----------|

December 1, 2003

| | | | | | |
|-------|----------------------|-----------------|-----|------|----------|
| 10.29 | Consulting Agreement | Thomas Chillemi | S-8 | 4.15 | 12/16/03 |
|-------|----------------------|-----------------|-----|------|----------|

December 1, 2003

| | | | | | |
|-------|----------------------|---------------------|-----|------|----------|
| 10.30 | Consulting Agreement | Anthony Quintiliano | S-8 | 4.16 | 12/16/03 |
|-------|----------------------|---------------------|-----|------|----------|

December 1, 2003

| | | | | | |
|-------|------------------------|---|--------|------|---------|
| 10.31 | Subscription Agreement | Mercator Momentum Fund, LP, Monarch Pointe Fund, LTD & Mercator Advisory Group, LLC | SB-2/A | 10.1 | 2/11/05 |
| | | February 7, 2005 | | | |

| Exhibit number | Exhibit description | Filed herewith | Incorporated by reference | | | |
|---------------------------|--|---------------------------|----------------------------------|--------------------------|------------------------|------------------------|
| | | | Form | Period ending | Exhibit No. | Filing date |
| 10.32 | Certificate of Designation of Preferences and Rights of Series C Convertible Preferred Stock Mercator Momentum Fund, LP, Monarch Pointe Fund, LTD & Mercator Advisory Group, LLC February 2005 | | SB-2/A | | 10.2 | 2/11/05 |
| 10.33 | Registration Rights Agreement Mercator Momentum Fund, LP, Monarch Pointe Fund, LTD & Mercator Advisory Group, LLC February 2005 | | SB-2/A | | 10.3 | 2/11/05 |
| 10.34 | Warrant Agreement (\$0.02) Mercator Advisory Group, LLC February 7, 2005 | | SB-2/A | | 10.4 | 2/11/05 |
| 10.35 | Warrant Agreement (\$0.02) Mercator Momentum Fund, LP February 7, 2005 | | SB-2/A | | 10.5 | 2/11/05 |
| 10.36 | Warrant Agreement (\$0.02) - Monarch Pointe Fund, Ltd. February 7, 2005 | | SB-2/A | | 10.6 | 2/11/05 |
| 10.37 | Warrant Agreement (\$0.03) - Mercator Advisory Group, LLC February 7, 2005 | | SB-2/A | | 10.7 | 2/11/05 |
| 10.38 | Warrant Agreement (\$0.03) - Mercator Momentum Fund, LP February 7, 2005 | | SB-2/A | | 10.8 | 2/11/05 |
| 10.39 | Warrant Agreement (\$0.03) Monarch Pointe Fund, Ltd. February 7, 2005 | | SB-2/A | | 10.9 | 2/11/05 |
| 10.40 | Secured Convertible Promissory Note Pinnacle Investment Partners, LP March 24, 2004 | | SB-2/A | | 10.10 | 2/11/05 |
| 10.41 | Pledge and Security Agreement Pinnacle Investment Partners, LP March 24, 2004 | | SB-2/A | | 10.11 | 2/11/05 |
| 10.42 | Securities Purchase Agreement Pinnacle Investment Partners, LP March 24, 2004 | | SB-2/A | | 10.12 | 2/11/05 |
| 10.43 | Note Extension Agreement Pinnacle Investment Partners, LP September 24, 2004 | | SB-2/A | | 10.13 | 2/11/05 |

Edgar Filing: instaCare Corp. - Form 10-K/A

| | | | | |
|-------|---|--------|-------|----------|
| 10.44 | Note Extension Pinnacle Investment Partners, LP February 10, 2005 | SB-2/A | 10.14 | 2/11/05 |
| 10.45 | The 2004 Stock Option Plan - Amended | S-8 | 99 | 9/8/06 |
| 10.46 | Intangible Property, License Acquisition Agreement CN Pharmacy, Svetislav Milic, & Nathan Kaplan June 7, 2005 | 8-K | 10.1 | 10/21/05 |
| 10.47 | Secured Promissory Note Mercator Momentum Fund, LP August 25, 2005 | 8-K | 10.2 | 10/21/05 |

| Exhibit | Exhibit description | Filed | Incorporated by reference | | | |
|----------------|--|--------------|----------------------------------|----------------------|--------------------|--------------------|
| | | | Form | Period ending | Exhibit No. | Filing date |
| 10.48 | Secured Promissory Note Monarch Pointe Fund,LTD August 25, 2005 | | 8-K | | 10.3 | 10/21/05 |
| 17 | Resignation letter of Robert L. Cox, August 15, 2006 | | 10-QSB | 6/30/06 | 17 | 9/1/06 |
| 23.1 | Consent of Independent Registered Public Accounting Firm | X | | | | |
| 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | X | | | | |
| 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | X | | | | |
| 32.1 | Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | X | | | | |
| 32.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | X | | | | |

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

instaCare Corp.

By: */s/ Keith Berman*
Keith Berman, Chief Financial
Officer and Principal Executive
Officer

Date: September 29, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, the following persons on behalf of the Registrant and in the capacities and on the dates indicated have signed this report below.

| Name | Title | Date |
|---|--|------------|
| <i>/s/ Keith Berman</i> Keith Berman | Chief Financial Officer and Principal Executive Officer | 10/07/2008 |
| <i>/s/ Robert Jagunich</i> Robert Jagunich | Director | 10/07/2008 |

Edgar Filing: instaCare Corp. - Form 10-K/A

Report of Independent Registered Public Accounting Firm

Stockholders and Directors

Instacare Corp

Westlake Village, California

We have audited the accompanying consolidated balance sheet of Instacare Corp as of December 31, 2007 and 2006 and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Instacare Corp as of December 31, 2007 and 2006 and the consolidated results of its operations, shareholders' equity, and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations. This factor raises substantial doubt about the Company's ability to continue as a going concern. Management's plans with regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Weaver & Martin, LLC

Kansas City Missouri

March 31, 2008

F-1

instaCare Corp.**Consolidated Balance Sheet**

| | December 31, | |
|---|---------------------|-------------|
| Assets | 2007 | 2006 |
| Current assets: | | |
| Cash | \$ 4,353 | \$ 19,501 |
| Accounts receivable | 669,041 | 267,166 |
| Inventory | 96,450 | - |
| Prepaid expenses | 3,816 | -- |
| Total current assets | 773,660 | 286,667 |
| Fixed assets: | | |
| Furniture and fixtures | 2,530 | 2,530 |
| Computer equipment | 232,365 | 232,365 |
| | 234,895 | 234,895 |
| Less accumulated depreciation | 198,645 | 151,919 |
| Fixed assets, net | 36,250 | 82,976 |
| Other assets: | | |
| Deposits | 3,412 | 3,412 |
| | \$ 813,322 | \$ 373,055 |
| Liabilities and Stockholders Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 120,107 | \$ 408,438 |
| Accrued liabilities | 199,265 | 225,486 |
| Accrued interest | 412,837 | 205,285 |
| Line of credit | 467,044 | - |
| Demand note - related party | 280 | 63,000 |
| Notes payable, current portion | 181,021 | - |
| Convertible notes payable | 1,377,689 | 1,702,401 |
| Total current liabilities | 2,758,243 | 2,604,610 |
| Long-term debt, less current portion | 85,109 | - |
| Stockholders Equity: | | |
| Preferred stock, \$0.001 par value, 3,249,000 shares authorized 207,526 shares authorized, no shares issued and outstanding | 207 | 208 |
| Preferred series A stock, \$0.001 par value, 750,000 shares authorized, no shares outstanding | - | - |
| | 18 | 20 |
| | | 101 |

Edgar Filing: instaCare Corp. - Form 10-K/A

| | | |
|---|--------------|--------------|
| Preferred series C stock, \$0.001 par value, 1,000,000 shares authorized, 17,860 and 20,000 shares issued and outstanding | | |
| Preferred series D stock, \$0.001 par value, 1,000 shares authorized, no shares issued and outstanding | - | - |
| Common stock, \$0.001 par value, 1,250,000,000 shares authorized 29,200,026 and 9,461,621 shares issued and outstanding | 29,200 | 9,462 |
| Shares authorized and un-issued, 3,700,294 | 3,700 | - |
| Prepaid share-based compensation | (105,000) | (29,934) |
| Additional paid-in capital | 17,459,200 | 15,796,265 |
| Dividend payable | 292,392 | 50,914 |
| Accumulated (deficit) | (19,709,747) | (18,058,490) |
| | (2,030,030) | (2,231,555) |
| | \$ 813,322 | \$ 373,055 |

The accompanying notes are an integral part of these consolidated financial statements.

instaCare Corp.**Consolidated Statements of Operations**

| | For the Years Ended December 31, | |
|--|-------------------------------------|----------------|
| | 2007 | 2006 |
| Revenue | \$ 6,254,278 | \$ 19,220,265 |
| Cost of sales | 5,845,782 | 19,186,237 |
| Gross profit | 408,496 | 34,028 |
| Expenses: | | |
| General and administrative expenses | 270,317 | 637,463 |
| Consulting services | 728,438 | 569,743 |
| Payroll expense | 342,777 | 485,627 |
| Professional fees | 148,079 | 592,968 |
| Depreciation | 46,726 | 48,027 |
| Total expenses | 1,536,337 | 2,334,128 |
| Net operating (loss) | (1,127,841) | (2,300,100) |
| Other income (expense): | | |
| Financing costs | (45,429) | (249,408) |
| Interest expense, net | (236,509) | (205,302) |
| Total other income (expense) | (281,938) | (454,710) |
| Provision for income taxes | - | - |
| Net (loss) | \$ (1,409,779) | \$ (2,754,810) |
| Weighted average number of Common shares outstanding basic and fully diluted | 15,717,861 | 8,073,584 |
| Net (loss) per share basic and fully diluted | \$ (0.09) | \$ (0.34) |

The accompanying notes are an integral part of these consolidated financial statements.

instaCare, Corp.**Consolidated Statement of Changes of Stockholders Deficit**

| Preferred Stock | | Common Stock | | Additional Paid-in Capital | Shares Authorized and Un-issued | Unamortized Warrant & Options | Prepaid Stock Comp | Dividend Payable | Accumulated (Deficit) | S |
|-----------------|--------|--------------|----------|----------------------------------|--|--|--------------------------|---------------------|--------------------------|----|
| Shares | Amount | Shares | Amount | | | | | | | |
| 227,526 | \$ 228 | 7,236,013 | \$ 7,236 | \$ 14,964,989 | \$ 56 | \$ (13,517) | \$ (60,000) | \$ - | \$ (15,046,680) | \$ |
| - | - | 68,355 | 68 | (12) | (56) | - | - | - | -- | |
| - | - | 1,448,610 | 1,449 | 609,820 | - | - | (296,934) | - | - | |
| - | - | - | - | 162,311 | - | - | - | - | - | |
| - | - | 87,050 | 87 | 37,576 | - | - | - | - | - | |
| - | - | - | - | 7,359 | - | - | - | - | - | |
| - | - | - | - | 14,844 | - | - | - | - | - | |
| - | - | 621,593 | 622 | (622) | - | - | - | - | - | |
| - | - | - | - | - | - | - | 60,000 | - | - | |
| - | - | - | - | - | - | 13,517 | - | - | - | |
| - | - | - | - | - | - | - | - | 50,914 | (257,000) | |
| - | - | - | - | - | - | - | - | - | (2,754,810) | |
| 227,526 | 228 | 9,461,621 | 9,462 | 15,796,265 | - | - | (29,934) | 50,914 | (18,058,490) | |

Edgar Filing: instaCare Corp. - Form 10-K/A

| | | | | | | | | | |
|----------|--------|------------|-----------|---------------|----------|------|---------------|------------|------------------|
| - | - | 200,000 | 200 | 9,800 | - | - | - | - | - |
| - | - | 7,106,118 | 7,106 | 555,026 | 3,250 | - | (105,000) | - | - |
| - | - | 139,100 | 139 | 37,572 | - | - | - | - | - |
| - | - | - | - | 443,335 | - | - | - | - | - |
| - | - | 2,357,534 | 2,357 | 253,314 | - | - | - | - | - |
| - | - | 833,333 | 833 | 21,667 | - | - | - | - | - |
| - | - | 7,500,000 | 7,500 | 322,500 | - | - | - | - | - |
| (2,140) | (1) | 1,370,761 | 1,371 | (1,371) | - | - | - | - | - |
| - | - | 231,559 | 232 | 21,085 | 450 | - | - | - | - |
| - | - | - | - | - | - | - | 29,934 | - | - |
| - | - | - | - | - | - | - | - | 241,478 | (241,478) |
| - | - | - | - | - | - | - | - | - | (1,409,779) |
| 225,386 | \$ 227 | 29,200,026 | \$ 29,200 | \$ 17,459,200 | \$ 3,700 | \$ - | \$ (105,000) | \$ 292,392 | \$ (19,709,747) |

The accompanying notes are an integral part of these consolidated financial statements.

instaCare, Corp.**Consolidated Statements of Cash Flows**

| | For the year ended | |
|---|---------------------------|----------------|
| | December 31, | |
| | 2007 | 2006 |
| Cash flows from operating activities | | |
| Net (loss) | \$ (1,409,779) | \$ (2,754,810) |
| Adjustments to reconcile net (loss) to net cash (used) by operating activities: | | |
| Shares issued for services | 460,385 | 641,334 |
| Shares issued for license fees | 37,711 | 37,663 |
| Shares issued for financing | 21,767 | - |
| Options and warrants issued for services | 465,835 | - |
| Amortization of options issued for services | 29,934 | 20,876 |
| Amortization of warrants issued for financing | - | 147,181 |
| Depreciation | 46,726 | 48,027 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (236,902) | (247,584) |
| Inventory | (96,450) | 127,373 |
| Prepaid expenses | (3,816) | 55,956 |
| Accounts payable | (288,331) | 364,588 |
| Accrued interest | 213,254 | 190,984 |
| Accrued expenses | (26,221) | 202,543 |
| Net cash (used) by operating activities | (785,887) | (991,710) |
| Cash flows from financing activities | | |
| Proceeds from line of credit | 1,007,967 | - |
| Payments on line of credit | (540,923) | - |
| Proceeds from note payable - related party | 155,580 | 96,000 |
| Payments on note payable - related party | (68,300) | (33,000) |
| Payments on notes payable | (24,254) | - |
| Proceeds from convertible note payable | - | 545,000 |
| Payments on convertible note payable | (25,000) | (100,000) |
| Dividend paid | - | (206,086) |
| Issuance of common stock | 265,670 | - |
| Net cash provided by financing activities | 770,740 | 301,914 |
| Net increase in cash | (15,148) | (689,794) |
| Cash beginning | 19,501 | 709,295 |
| Cash ending | \$ 4,353 | \$ 19,501 |

Supplemental disclosures:

| | | | | |
|-------------------|----|--------|----|---------|
| Interest paid | \$ | 29,256 | \$ | 321,283 |
| Income taxes paid | \$ | - | \$ | - |

Non-cash transactions:

| | | |
|---|-----------|-----------|
| Number of shares issued for services | 7,939,451 | 1,448,610 |
| Number of shares issued for debt conversion | 7,500,000 | - |
| Number of shares issued for licensing | 139,100 | 87,050 |
| Number of shares issued for financing | 231,559 | - |
| Number of shares issued for dividend | - | 621,593 |

The accompanying notes are an integral part of these consolidated financial statements

instaCare Corp.

Notes to Consolidated Financial Statements

Note 1 Significant accounting policies and procedures

Organization

We were organized July 6, 2000 (Date of Inception) under the laws of the State of Nevada as Promedicius, Inc. In May 2001, we changed our name to Medicius, Inc. On June 21, 2002, we merged with ATR Search Corp., a development stage company, and a Nevada corporation. The merger has been accounted for as a recapitalization and the historical financial statements of Medicius Inc. are presented herein.

On June 21, 2002, we filed an amendment to its articles of incorporation changing our name to CareDecision Corporation and subsequently changed our name to InstaCare Corp. effective April 14, 2005.

On November 19, 2004, we incorporated two Nevada subsidiary companies, Pharma Tech Solutions, Inc. and PDA Services, Inc. On November 24, 2004, we entered into an Agreement and Plan of Merger, as amended on December 27, 2004, between Pharma Tech Solutions, Inc. and CareGeneration, Inc. (CareGen), a Nevada corporation. This agreement included CareGen's private acquisition of retail pharmaceutical license applications, client lists, receivables, business contacts, relationships, goodwill and the rights to use the wholesale pharmaceutical distribution license, trade names and sales names of Kelly Company World Group, Inc., a Delaware corporation. On February 25, 2005, the merger was completed whereby CareGen merged with Pharma Tech wherein CareGen ceased to exist and Pharma Tech continued as a majority owned subsidiary.

On January 4, 2005, we commenced prescription drug distribution operations which are, currently being conducted through PDA Services, Inc. and is in the process of establishing facility in Hope, North Dakota. Specializing in rapid delivery of prescription drugs and diagnostic products, we are in the final stages of augmenting its prescription drug and prescription diagnostics distribution business by creating a nationwide network over the internet. We have also created a fully integrated prescription fulfillment program through which physicians can directly submit prescriptions using a hand-held device, tablet PC, or PDA that is enabled through a Wi-Fi link to the Internet.

We have established its first fulfillment center to service uninsured and underinsured patients in Phoenix, AZ, while also securing its retail prescription license in the state of Arizona.

Through the acquisition of CareGen, we acquired a retail mail order business concept for the distribution of pharmaceutical and healthcare supplies and is currently developing our distribution platform.

Cash and cash equivalents

Cash and cash equivalents include all cash balances in non-interest bearing accounts and money-market accounts. We place our temporary cash investments with quality financial institutions. At times such investments may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limit. We do not believe it is exposed to any significant credit risk on cash and cash equivalents. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. There are no cash equivalents as of December 31, 2007 and 2006.

Accounts receivable

We have elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however, the effect using the direct method is not materially different from the results that would have been obtained under the allowance method.

Investments

Investments in companies over which we exercise significant influence are accounted for by the equity method whereby we include our proportionate share of earnings and losses of such companies in earnings. Other long-term investments are recorded at cost and are written down to their estimated recoverable amount if there is evidence of a decline in value, which is other than temporary.

Inventory

Inventories are stated at the lower of cost or market. Cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. Market is determined based on net realizable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value. As of December 31, 2007 and 2006, inventory was \$96,450 and \$0, respectively.

Fixed assets

Fixed assets are stated at the lower of cost or estimated net recoverable amount. The cost of property, plant and equipment is depreciated using the straight-line method based on the lesser of the estimated useful lives of the assets or the lease term based on the following life expectancy:

| | |
|-------------------------------|---------|
| Computer equipment | 5 years |
| Software | 5 years |
| Office furniture and fixtures | 7 years |

Repairs and maintenance expenditures are charged to operations as incurred. Major improvements and replacements, which extend the useful life of an asset, are capitalized and depreciated over the remaining estimated useful life of the asset. When assets are retired or sold, the costs and related accumulated depreciation and amortization are eliminated and any resulting gain or loss is reflected in operations.

Consolidation policy

The accompanying consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiary corporations, after elimination of all material inter-company accounts, transactions, and profits. Investments in unconsolidated subsidiaries representing ownership of at least 20% but less than 50% are accounted for under the equity method. Non-marketable investments in which the Company has less than 20% ownership and in which it does not have the ability to exercise significant influence over the investee are initially recorded at cost and periodically reviewed for impairment. As of December 31, 2007 and 2006, we did not have non-marketable investments.

Revenue recognition

We recognize revenue from our sales of pharmaceutical supplies upon delivery to its customer where the fee is fixed or determinable, and collectibility is probable. Cash payments received in advance are recorded as deferred revenue. We are not generally obligated to accept returns, except for defective products.

Revenue from proprietary software sales that does not require further commitment from the company is recognized upon shipment. Consulting revenue is recognized when the services are rendered. License revenue is recognized ratably over the term of the license.

The cost of services, consisting of staff payroll, outside services, equipment rental, communication costs and supplies, is expensed as incurred.

Advertising costs

We expense all costs of advertising as incurred. There were no advertising costs included in general and administrative expenses as of December 31, 2007 and 2006, respectively.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair value of financial instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2007 and 2006. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, accounts receivable, accounts payable and notes payable. Fair values were assumed to approximate carrying values because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Impairment of long-lived assets

We reviews our long-lived assets and intangibles periodically to determine potential impairment by comparing the carrying value of the long-lived assets with the estimated future cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future cash flows be less than the carrying value, we would recognize an impairment loss. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets and intangibles. We recognized impairment losses in the amount of \$0 and \$0 as of December 31, 2007 and 2006, respectively.

Loss per share

Net loss per share is provided in accordance with Statement of Financial Accounting Standards No. 128 (SFAS #128)

Earnings Per Share . Basic loss per share is computed by dividing losses available to common stockholders by the weighted average number of common shares outstanding during the period. There were no securities considered to be dilutive in the computation of earnings (loss) per share.

Income Taxes

We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes . Deferred taxes are provided on the liability method whereby deferred tax assets are recognized for deductible temporary differences, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

We adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109 (FIN 48) as of January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in companies' financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. As a result, we apply a more-likely-than-not recognition threshold for all tax uncertainties. FIN 48 only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities. As a result of implementing FIN 48, we have reviewed our tax positions and determined there were no outstanding, or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities, therefore the implementation of this standard has not had a material effect on the Company.

We classify tax-related penalties and net interest as income tax expense. As of December 31, 2007 and 2006, no income tax expense has been incurred. See Note 6.

Concentrations

In 2007, five customers of the Company accounted for approximately 99% of our net sales compared to 96% of total sales being attributable to four major customers in 2006. Since January 1, 2006 the company's operations require maintaining strategic relationships with its customers whereby the Company delivers product and services the patient base that underlies these strategic relationships, accepting assignment of insurance benefit through its Colonia Natural Pharmacy strategic partnership for the billing and future servicing of these patients. The Company also maintains relationships with the entities where the patients reside. As of December 31, 2007 and 2006, we obtained the majority of its pharmaceutical products from five and three major suppliers, respectively. There can be no assurance that our major customers will continue to purchase products. The loss of our largest customers or a decrease in product sales would have a material adverse effect on our business and financial condition.

Reclassifications

Certain reclassifications have been made to prior periods to conform to current presentation.

Recent pronouncements

In February 2007, the FASB issued SFAS No.159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No.159). SFAS No.159 allows the company to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 159 is not expected to have a material impact on our financial position, results of operation or cash flows.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements . This statement amends ARB 51 to establish accounting and reporting standards for the non-controlling (minority) interest in a subsidiary and for the de-consolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is equity in the consolidated financial statements. SFAS No. 160 is effective for fiscal years and interim periods beginning after December 15, 2008. The adoption of SFAS 160 is not expected to have a material impact on our financial position, results of operation or cash flows.

In December 2007, the FASB issued SFAS No. 141 (Revised), Business Combinations . SFAS 141 (Revised) establishes principals and requirements for how an acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. This statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective for the fiscal year beginning after December 15, 2008.The adoption of SFAS 141(Revised) is not expected to have a material impact on our financial position, results of operation or cash flows.

Year end

The Company has adopted December 31 as its fiscal year end.

Note 2 Going concern

The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern. Our ability to continue as a going concern is dependent upon attaining profitable operations based on the development of distributions platforms through which our products that can be sold. We intend to use borrowings and security sales to mitigate the affects of our cash position, however, no assurance can be given that debt or equity financing, if and when required, will be available. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should we be unable to continue in existence.

Note 3 Inventory

Inventory consisted of diabetic test strips valued at \$96,450 and \$0 at December 31, 2007 and 2006, respectively.

Note 4 Fixed assets

Fixed assets consisted of the following at December 31:

| | 2007 | 2006 |
|-------------------------------|-------------|-------------|
| Furniture and fixtures | \$ 2,530 | \$ 2,530 |
| Computers and equipment | 232,365 | 232,365 |
| Subtotal | 234,895 | 234,895 |
| Less accumulated depreciation | (198,645) | (151,919) |
| Total fixed assets, net | \$ 36,250 | \$ 82,976 |

Depreciation expense totaled \$46,726 and \$48,027 for the years ended December 31, 2007 and 2006, respectively.

Note 4 Notes payable and related parties

As of December 31, 2007 we have received cash advances from our chief executive officer for operational expenses. The advances are due on demand and accrued interest at a rate of 9.5%. On September 28, 2007, he elected to convert \$150,000 of the principal balance into 7,500,000 shares of our common stock or \$0.02 per share. The market value of our shares on the date of conversion was \$0.04. As of December 31, 2007, the remaining principal balance was \$280. In addition, we have accrued interest totaling \$9,883, which is unpaid at December 31, 2007.

Notes payable consisted of the following as of December 31:

| | 2007 | 2006 |
|--|-----------|-----------|
| Demand note from a related party, bearing interest at 9.5% | \$ 280 | \$ 63,000 |
| Promissory note, bearing interest at 9.5% per annum, Matured August 25, 2006, currently in default. | 87,309 | 87,309 |
| Convertible promissory note, bearing interest at 12% per annum, matured December 24, 2006, currently in default. | 920,379 | 1,100,379 |
| Convertible promissory note, bearing interest at 1.25% per month, matured on October 31, 2007, currently in default. | 170,000 | 159,713 |
| Promissory note, bearing interest at 12% per annum, Matured July 31, 2006, currently in default. | 130,000 | 155,000 |
| Convertible promissory note, bearing interest at 1.5% Monthly, matured December 31, 2007. | 200,000 | 200,000 |
| Promissory note, bearing interest at 9% Per annum, maturing June 20, 2010 | 136,131 | |
| Line of credit, with interest being paid in shares equal to 5% of each advance. | 467,044 | |
| Total notes payable | 2,111,143 | 1,765,401 |
| Less: Current portion | 2,026,034 | 1,765,401 |
| Total long term notes payable | \$ 85,109 | \$ |

We have recorded interest expense totaling \$236,509 and \$205,302 during the years ended December 31, 2007 and 2006, respectively.

Note 5 Income taxes

For the year ended December 31, 2007, the Company incurred net operating losses and accordingly, no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At December 31, 2007, the Company had approximately \$19,525,307 of federal and state net operating losses. The net operating loss carry forwards, if not utilized will begin to expire in 2018-2021.

F-10

The components of the Company's deferred tax asset are as follows:

| | As of December 31, | |
|--|---------------------------|--------------|
| | <i>2007</i> | <i>2006</i> |
| Deferred tax assets: | | |
| Net operating loss carry forwards | \$ 6,833,857 | \$ 6,320,500 |
| Total deferred tax assets | 6,833,857 | 6,320,500 |
| Deferred tax liabilities: | | |
| Depreciation | -0- | -0- |
| Net deferred tax assets before valuation allowance | 6,833,857 | 6,320,500 |
| Less: Valuation allowance | (6,833,857) | (6,320,500) |
| Net deferred tax assets | \$ -0- | \$ -0- |

For financial reporting purposes, the Company has incurred a loss since inception to December 31, 2007. Based on the available objective evidence, including the Company's history of its loss, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against its net deferred tax assets at December 31, 2007.

A reconciliation between the amount of income tax benefit determined by applying the applicable U.S. and State statutory income tax rate to pre-tax loss is as follows:

| | Year ended December 31, | |
|--|--------------------------------|-------------|
| | <i>2007</i> | <i>2006</i> |
| Federal and state statutory rate | 35% | 35% |
| Change in valuation allowance on deferred tax assets | (35) | (35) |
| | - | - |

Note 6 Stockholder's equity

Common stock

We are authorized to issue up to 1,250,000,000 shares of \$0.001 par value common stock.

Preferred stock

We are authorized to issue 5,000,000 shares of \$0.001 par value preferred stock; of which 750,000 shares are designated as Series A, 1,000,000 shares are designated as Series C, and 1,000 shares are designated as Series D.

Series A convertible preferred stock

Holders of series A : convertible stock shall not have the right to vote on matters that come before the shareholders. Series A Convertible Preferred stock may be converted at a rate of .225 shares of common stock for each share of Series A Convertible Preferred stock. Series A Convertible Preferred stock shall rank senior to common stock in the event of liquidation. Holders of Series A convertible stock shall be entitled to a 6% annual dividend payable in common stock, accrued and payable at the time of conversion, subject to adjustments resulting from stock splits, recapitalization, or share combination.

Series C convertible preferred stock

Holders of series C : convertible stock shall not have the right to vote on matters that come before the shareholders. Series C convertible preferred stock may be converted, the number of shares into which one share of Series C Preferred Stock shall be convertible shall be determined by dividing the Series C Purchase price by the existing conversion price which shall be equal to eighty percent of the market price rounded to the nearest thousandth, not to exceed \$1.60 per share. Series C convertible stock shall rank senior to common stock in the event of liquidation. Holders of Series C convertible stock shall be entitled to a mandatory monthly dividend equal to the share price multiplied by the prime interest rate plus five tenths percent. Series C convertible stock shall have a redemptions price of \$100 per share, subject to adjustments resulting from stock splits, recapitalization, or share combination.

Series D convertible preferred stock

Holders of series D : convertible stock shall not have the right to vote on matters that come before the shareholders. Series D convertible preferred stock may be converted, the number of shares into which one share of Series D Preferred Stock shall be convertible shall be determined by dividing the Series D Purchase price by the existing conversion price which shall be equal to eighty percent of the market price rounded to the nearest thousandth, not to exceed \$1.60 per share. Series D convertible stock shall rank senior to common stock in the event of liquidation. Holders of Series D convertible stock shall be entitled to a mandatory monthly dividend equal to the share price multiplied by the prime interest rate plus five-tenths percent. Series D convertible stock shall have a redemptions price equal to 101% of the purchase price per share, subject to adjustments resulting from stock splits, recapitalization, or share combination.

2006 Issuances

During January 2006, the Company issued 68,355 shares of common stock as previously authorized in December 2005.

During the fiscal year ended December 31, 2006, the Company issued 1,448,610 shares of its common stock for services relating to various consulting agreements. The Company recorded consulting expense in the amount of \$581,335 and prepaid shares-based compensation of \$29,934 which was expensed during the year ended December 31, 2007.

On April 17 and May 22, 2006, the Company issued 62,050 and 25,000 shares of common stock valued at \$37,663 to Messer s Millic and Kaplan for licensing fees.

On June 16, 2006 the Company issued 621,593 shares of its common stock pursuant to the dividend grant dated June 9, 2006. Pursuant to the grant, each share holder of record on the date of grant was entitled to receive a stock dividend in the amount of 8.334% shares for each 100 shares of our common stock owned.

2007 Issuances

During the year ended December 31, 2007 we issued 810,500 shares of our common stock for the exercise of options issued pursuant to our 2004 stock option plan to various consultants for cash totaling \$11,100 and services valued at \$23,081.

During the year ended December 31, 2007 we issued 4,140,867 shares of our common stock for the exercise of options issued pursuant to our 2006 stock option plan to various consultants for cash totaling \$244,614 and services valued at \$99,500. As of December 31, 2007, 750,000 of these shares were un-issued.

On January 4, 2007, we issued 150,000 shares of restricted common stock for services valued at \$49,500, the fair value of the underlying shares.

During the year ended December 31, 2007, we issued 1,370,761 shares of common stock for the conversion of 2,140 shares of our preferred C stock to Mercator Momentum Fund and Monarch Pointe Fund pursuant to the 2005 purchase agreement.

On April 5, 2007, we issued 50,000 shares of common stock for license renewal fees to two individuals. We recorded licensing fees in the amount of \$19,000, the fair value of the shares.

On July 23, 2007, we issued of 184,700 shares of our restricted common stock for accrued expenses totaling \$38,787.

On September 19, 2007, we issued 200,000 shares of restricted common stock for cash totaling \$10,000.

Edgar Filing: instaCare Corp. - Form 10-K/A

On September 28, 2007, we authorized the issuance of 7,500,000 shares of our restricted common stock at a price of \$0.02 per share to our chief executive officer for the conversion of \$150,000 of the principal balance of his note. The market price per share on the date of conversion was \$0.04. The shares were subsequently issued on October 3, 2007.

On September 28, 2007, we authorized the issuance of 5,250,000 shares of our restricted common stock to its two directors as compensation for services from July 1, 2007 through July 1, 2008. The fair value of the shares on the date of grant was \$210,000 and will be amortized over the one-year service period. As of December 31, 2007, we have recorded compensation expense in the amount of \$105,000 and unamortized cost of shares issued for services of \$105,000. The shares were subsequently issued on October 3, 2007.

On November 26, 2007, we issued a total of 400,000 shares of our restricted common stock for services valued at \$12,000, the fair value of the underlying shares.

On December 5, 2007, we issued 200,000 shares of our restricted common stock for services valued at \$6,000, the fair value of the underlying shares.

On December 5, 2007, issued 231,559 shares of our restricted common stock for financing expenses valued at \$11,249, the fair value of the underlying shares.

On December 21, 2007, we authorized the issuance of 446,071 shares of our restricted common stock for financing expenses valued at \$13,382, the fair value of the underlying shares. As of December 31, 2007, the shares are un-issued.

On December 28, 2007, we authorized the issuance of 2,500,000 shares of our restricted common stock to our two directors for services valued at \$75,000, the fair value of the underlying shares. As of December 31, 2007, the shares are un-issued.

On December 28, 2007, we authorized the issuance of 4,223 shares of our common stock for financing expenses valued at \$127, the fair value of the underlying shares. As of December 31, 2007, the shares are un-issued.

Note 7 Options

2004 Stock Option Plan

Effective April 21, 2004, we adopted the 2004 Stock Option Plan, as amended, with a maximum number of 6,312,500 shares that may be issued. As of December 31, 2007, 2,978,297 options have been granted, and exercised under this plan.

During the year ended December 31, 2007, we issued options to purchase up to 810,500 shares of par value common stock at a weighted average exercise price of \$0.05 per share for various consulting services received. We recorded an expense in the amount of \$22,766 the fair value of the options using the Black-Scholes pricing model. As of December 31, 2007, all options were exercised in exchange for cash in the amount of \$11,100 and services valued at \$23,081.

F-13

The following is a summary of activity of outstanding stock options under the 2004 Stock Option Plan:

| | Number Of Shares | Weighted Average Exercise Price |
|--------------------------------|-----------------------------|--|
| Balance, January 1, 2006 | - | \$ -0- |
| Options granted | 1,141,610 | 0.46 |
| Options cancelled | - | - |
| Options exercised | 1,141,610 | \$ 0.46 |
| Balance, December 31, 2006 | - | \$ -0- |
| Balance, January 1, 2007 | - | -0- |
| Options granted | 810,500 | 0.05 |
| Options cancelled | - | - |
| Options exercised | 810,500 | 0.05 |
| Balance, December 31, 2007 | - | \$ -0- |
| Exercisable, December 31, 2007 | - | \$ -0- |

2005 Merger Consolidated Stock Option Plan

On February 5, 2005, we adopted our 2005 Merger Consolidated Stock Option Plan. The maximum number of shares that may be issued pursuant to the plan is 1,125,000 shares. As of December 31, 2007, 825,000 shares have been granted under this plan.

Edgar Filing: instaCare Corp. - Form 10-K/A

The following is a summary of activity of outstanding stock options under the 2004 Stock Option Plan:

| | Number Of Shares | | Weighted Average Exercise Price |
|--------------------------------|-----------------------------|----|--|
| Balance, January 1, 2006 | 825,000 | \$ | 1.73 |
| Options granted | - | | -0- |
| Options cancelled | - | | -0- |
| Options exercised | - | | -0- |
| Balance, December 31, 2006 | 825,000 | \$ | .73 |
| Balance, January 1, 2007 | 825,000 | \$ | 1.73 |
| Options granted | - | | -0- |
| Options cancelled | - | | -0- |
| Options exercised | - | | -0- |
| Balance, December 31, 2007 | 825,000 | \$ | 1.73 |
| Exercisable, December 31, 2007 | 825,000 | \$ | 1.73 |

2006 Stock Option Plan

On December 8, 2006 we adopted our 2006 Employee Stock Option Plan and granted incentive and nonqualified stock options with rights to purchase 1,500,000 shares of our \$0.001 par value common stock. On August 24, 2006, we authorized an increase of 4,000,000 shares to the plan.

During the year ended December 31, 2007, we issued options to purchase up to 4,140,867 shares of par value common stock at a weighted average exercise price of \$0.15 per share for various consulting services received. We recorded an expense in the amount of \$252,324 the fair value of the options using the Black-Scholes pricing model. As of December 31, 2007, all options were exercised for cash totaling \$244,614 and services valued at \$99,500.

The following is a summary of activity of outstanding stock options under the 2006 Stock Option Plan:

| | Number Of Shares | Weighted Average Exercise Price |
|--------------------------------|-----------------------------|--|
| Balance, January 1, 2006 | - | \$ -0- |
| Options granted | - | -0- |
| Options cancelled | - | - |
| Options exercised | - | -0- |
| Balance, December 31, 2006 | - | \$ -0- |
| Balance, January 1, 2007 | - | \$ -0- |
| Options granted | 4,140,867 | 0.15 |
| Options cancelled | - | - |
| Options exercised | 4,140,867 | 0.15 |
| Balance, December 31, 2007 | - | \$ -0- |
| Exercisable, December 31, 2007 | - | \$ -0- |

Note 8 Warrants

During the year ended December 31, 2007, we issued warrants to purchase up to 1,233,340 shares of par value common stock at a weighted average exercise price of \$.06 per share for various services. We recorded an expense in the amount of \$37,620 the fair value of the warrants using the Black-Scholes pricing model.

The following is a summary of activity of outstanding warrants as of December 31, 2007:

| | Number Of Shares | | Weighted Average Exercise Price |
|--------------------------------|-----------------------------|----|--|
| Balance, January 1, 2006 | 1,378,750 | \$ | 1.92 |
| Warrants granted | 50,000 | | 0.32 |
| Warrants cancelled | - | | - |
| Warrants exercised | - | | - |
| Balance, December 31, 2006 | 1,428,750 | \$ | 1.86 |
| Balance, January 1, 2007 | 1,428,750 | \$ | 1.86 |
| Warrants granted | 1,233,340 | | 0.06 |
| Warrants cancelled | - | | - |
| Warrants exercised | - | | - |
| Balance, December 31, 2007 | 2,662,090 | \$ | 1.03 |
| Exercisable, December 31, 2007 | 2,662,090 | \$ | 1.03 |

Note 9 Commitments and Contingencies

Leases

The following is a schedule by years of future minimum rental payments required under operating leases that have non-cancelable lease terms in excess of one year as of December 31, 2007:

| | | |
|-------|----|--------|
| 2008 | \$ | 48,000 |
| 2009 | | 12,000 |
| Total | \$ | 60,000 |

Rent expense amounted to \$72,860 and \$101,024 for the years ended December 31, 2007 and 2006, respectively.

Note 10 Subsequent events

During January 2008, we issued 3,700,294 shares previously authorized as of December 31, 2007.

During January, 2008, we issued 616,775 shares of our restricted common stock to two consultants for services.

In 2008, we issued 1,183,593 shares of our restricted common stock to Centurion Credit Resources pursuant to our financing agreement dated November 19, 2007.