

instaCare Corp.  
Form 10-K/A  
May 23, 2011

**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, 2010**

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**  
(State or other jurisdiction of  
incorporation or

**91-2105842**  
(I.R.S. Employer Identification  
No.)

organization)

**2660 Townsgate Road, Suite 300**

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

**91361**  
(Zip  
Code)

Registrant's telephone number, including area code (805) 446-1973

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  .

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporation Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  . No  .

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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 knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Indicate by checkmark 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  (Do not check if a smaller reporting company)  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 first fiscal quarter. \$4,291,842 based on a share value of \$0.04.

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date. 107,296,052 shares of common stock, \$0.001 par value, outstanding on March 28, 2011.

### DOCUMENTS INCORPORATED BY REFERENCE

None.

### EXPLANATORY NOTE

instaCare is filing this Amendment No. 2 to Form 10-K (the “Amendment”) to amend its annual report for the fiscal year ended December 31, 2010, as filed with the Securities and Exchange Commission on April 15, 2011 (the “Annual Report”). The purpose of this Amendment is to revise the Annual Report to reflect a change in the application of accounting principal in the December 31, 2010 financial statements. The change in application is specific to the accounting treatment of shares issued to our lender, Centurion Credit Resources, LLC in December 2010, as an annual renewal fee valued at \$400,000. Per our audited statements previously filed, the renewal fee was classified as a prepaid asset to be amortized utilizing a straight-line method over the one-year renewal term. On May 14, 2011, we determined the loan fee should be reclassified as a liability verses an asset. We have also determined that Centurion is

a related party as defined by Generally Accepted Accounting Principles. Except for the cover page and this explanatory note, this Amendment continues to speak as of the original filing date for the Annual Report and does not update the disclosures contained therein to reflect any events or results which occurred subsequent to the filing date of the original Annual Report for the fiscal year ended December 31, 2010.

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**INSTACARE CORP**

**FORM 10-K**

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## 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 objectives 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 this 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:

- deterioration in general or regional economic, market and political conditions;
- our ability to successfully compete in the pharmaceutical supply industry;
- increased competitive pressures from existing competitors and new entrants;
- increases in interest rates or our cost of borrowing or a default under any material debt agreements;
- loss of customers or sales weakness;
- the fact that our accounting policies and methods are fundamental to how we report our financial condition and results of operations, and they may require management to make estimates about matters that are inherently uncertain;
- adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;



- changes in U.S. GAAP or in the legal, regulatory and legislative environments in the markets in which we operate;
- inability to efficiently manage our operations;
- inability to achieve future sales levels or other operating results;
- the unavailability of funds for capital expenditures;
- 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 wholly operating subsidiaries, Decision IT, 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](http://www.sec.gov) or on our website at [www.instaCare.net](http://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 to of a written request to us at instaCare Corp, 2660 Townsgate Road, Suite 300, Westlake Village, California 91361.

## PART I

### Item 1. Business.

#### Overview

instaCare Corp. is a nationwide prescription and non-prescription diagnostics and home testing products distributor. Diagnostic test kits and at-home patient testing products are regulated by the U.S. FDA in a manner similar to prescription drugs but the products we distribute, for the most part, do not require a doctor's prescription for anything other than insurance benefit compliance. Our subsidiaries, Pharma Tech Solutions, Inc., Pharmtech Direct Corp. and PDA Services, Inc. operate in several healthcare products distribution channels. We distribute brand name prescription and non-prescription diagnostics products, as well as several lines of ostomy, wound care and post-surgery medical products. We have recently begun gearing up to introduce a proprietary diagnostic product, the Shasta Genstrip, for at-home testing of blood glucose, a \$20 billion worldwide market. Shasta Genstrip will compete directly with the largest platform manufacturer for at-home blood glucose testing, a product currently used daily by over 3 million diabetes afflicted Americans.

Typically, and except for our own Shasta Genstrip, which is an alternative product, we distribute name brand 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, originally a medical IT company with proprietary IT product lines, acquired its medical products distribution business in late 2004 through a merger with Phoenix, Arizona 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 provider of products and services to an ever-growing market.

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 those from many other medical information companies, make use of smart cell phones such as the Apple iPhone, the Palm Pre, the Google Droid and a wide selection of Microsoft Windows based smart phones and operate in either in a wireless or wired mode, which allow physicians to carry, access and update their patients' histories, also known as electronic medical records or EMR, medication data, and best care guidelines - *all at the point of care*, or from any other location the physician may be located. In addition, the company's products employ proprietary mathematical game theory features adapted by the company for medical use that allow acceptance of diagnoses and treatment protocols where the medical information may have originated from one or several locations and one time or several times.

We have entered into eight partnerships with freestanding pharmacies in the states of New York, Maryland, New Jersey and Arizona. 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 have received multiple inquiries from companies interested in perhaps partnering with the company for the implementation of its cell phone centric technologies MD@Hand and MD@Work. The interested companies range from clinical laboratories, service organizations owned or aligned with medical health insurers, a medical content provider and legacy healthcare systems companies. All of these companies are much larger than instaCare. We may or may not entertain additional proposed partnerships. Our implementation of the cell phone centric technologies has been hindered by the slow implementation of regulations, protocols and data formats by the Federal government.

We currently employ five full-time staff at our executive office located at 2660 Townsgate Road, Suite 300, Westlake Village, California 91361. In addition, we maintain two full-time and seven part-time positions between our properties located in Florida, Arizona, California and New Jersey. These positions are for sales and marketing, distribution and customer service representatives. Our telephone number is (805) 446-1973 and our website address is [www.instaCare.net](http://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, 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. Medicius remained an operating entity from the closing of the merger until September 30, 2007. 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. In May 2008, we incorporated an additional Nevada corporation subsidiary, Decision IT Corp.

On April 1, 2005, we amended our Articles of Incorporation to change our name from CareDecision Corporation to instaCare Corp.

## **OUR BUSINESS**

From April 1, 2005 through November 15, 2009, we focused our business attention towards providing prescription and non-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 originally resided and functioned through Microsoft Windows CE-Based PDAs (Personal Data Assistants), which are popular and commonly available from most major computer brand name companies such as Sony, Dell, IBM and Palm -to the medical fields and the lodging industries. In May 2009, the company began the port of its technologies and software from then current PDA based products to late generation smart cell phones. This re-development was completed November 12, 2009. Subsequently the company filed patent applications in February 2010 to secure its latest product developments. In May 2010 the company entered into an agreement to distribute, on an exclusive basis, a new diagnostic product in the developmental stage manufactured by Shasta Technologies, LLC ( Shasta ). This diagnostic product was specifically designed to compete in the diabetes testing market against the largest platform manufacturer of at-home diabetes testing products. Due to delays in the processes that would bring this diagnostic product to market, in January 2011, management began negotiations with Shasta to secure a perpetual and exclusive license to the diagnostic product known as Shasta Genstrip.

On March 31, 2011 the company came to agreement with Shasta and as a result of this new agreement, memorialized on April 8, 2011, the company now has complete control over the regulatory process, manufacturing process, customer support, and worldwide distribution. The market for at-home diagnostic testing, primarily blood glucose

testing by diabetics and suspected diabetics, is estimated to be \$20 billion worldwide. The company anticipates achieving significant market share and if successful would become the fifth largest product distribution company in a market where there are over one hundred different product platforms sold, but where four companies control over 90% of the total sales.

The company's business on a day-to-day basis includes the distribution of prescription and non--prescription diagnostics, at-home testing, post-surgical products, and later in the 2<sup>nd</sup> quarter 2011, the sales and distribution of Shasta Genstrip. Beginning in November 2009, we introduced our cell-phone centric 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 or even palm-sized computers (PDA's), our software applications operate on a series of late generation smart e-cell phones including the Apple iPhone, the Palm Pre, the Google Droid, several makes of RIM's Blackberry and many versions of the Microsoft Windows smart phones. Our products allow physicians to access and update their patients' histories, medication data, and best care guidelines - *all at the point of care*. The company's Electronic Medical Records software is believed to be the first EMR application running on any palm sized mobile device.

Our business objectives include:

1. Providing medical communication and EMR medical history and storage devices based on networks of smart cell phones. 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 cell phone-centric products and a suite of Internet enhanced software applications that include those features that specifically respond to the requirements of the practicing physician and the regulations currently being promulgated by the Federal government.
2. Combining our newly acquired wholesale and retail drug distribution with our cell phone centric 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
3. The practice of specializing in the distribution of brand-name medical diagnostic and medical disposable products associated with the on-going care of diabetes-inflicted patients now that our new proprietary diagnostic product Shasta Genstrip is coming to the market.

We also have adapted our medical communications and EMR technologies to service the real estate management and hotel/motel/convenience industries in their own commercial settings. In March 2010, our Board approved the sale of the company's hotel/motel technologies and business base so we can focus on our core medical IT and medical distribution businesses. We have recently received several inquiries. In the past when we had market focus on the hotel/motel industry, our real estate and hotel/motel objectives include building electronic commerce networks based on personal digital assistants (PDA) and pad based computers 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 and Non-prescription Diagnostics Distribution**

Our medical distribution business has allowed us 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. We have also just entered into a broad-based agreement with Shasta Technologies, LLC where we will have exclusive rights to their Shasta Genstrip diagnostic product that we anticipate achieving significant market share in the \$20 billion annually at-home testing market for chronically afflicted patients, most commonly diabetics.

Specializing in rapid delivery of prescription and non-prescription diagnostic products, we are in the final stages of augmenting our 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 30+ million Americans who are either uninsured or underinsured. Since 2005 one of our target markets has

been the same patient base targeted by the national healthcare reform legislation signed into law. In that regard, we have a head start and expect to reap rewards in the months ahead.

Our medical distribution efforts are 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. We have also partnered with eight pharmacies, piggybacking our business model onto their licenses for the distribution of medical and pharmaceutical products.

By using wireless technology to link our centrally located prescription and non-prescription diagnostics distribution centers are positioned to bring economic and administrative efficiencies to the projected \$8 billion marketplace for delivering prescriptions to the uninsured and underinsured.

The at home testing and direct to patient diagnostics markets include millions of existing patients that are often subsidized or funded by government benefits. For us, this is a developing enterprise moving forward to take advantage of the tremendous opportunity created by the national healthcare reform recently signed into law. In addition to our existing medical distribution focus, we also acquired and can employ a proprietary, retail mail order methodology for the distribution of other healthcare supplies

## **Prescription and Non-prescription Diagnostics**

The prescription and non-prescription diagnostics business is often subsidized or funded by government benefits, this business model being popularized even before the recent healthcare reform laws. With the advent of what is known as Medicare Part D in 2006, the entire direct to patient service market seems to be aggressively moving to take advantage of the tremendous opportunity in direct to patient solutions via direct mail order distribution of prescription and non-prescription diagnostics and related products/supplies. There are many market leaders in these endeavors. However, the most aggressive participant is Walmart, with their \$4 generic prescription plan. The company's subsidiary Pharma Tech Solutions, Inc. has executed a Supplier Agreement with Walmart for their sale of the new Shasta Genstrip product.

We originally 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 cautiously, entering.

Our plan is to combine the wholesale and direct to patient distribution businesses and couple these businesses with the capabilities to connect physicians, using our smart cell phone technologies, creating wide-ranging ventures similar in function to existing Internet pharmacies but directed to serving the large base of institutionalized, underinsured and uninsured Americans through their physicians.

## **Prescription and Non-prescription Diagnostics Methods**



To augment our drug distribution efforts our subsidiary Pharma Tech Solutions, Inc. entered into a series of strategic partnerships with pharmacies in throughout the state of Arizona. Through these strategic partnerships we have eliminated the need to expend our capital resources building what would have amounted to duplicate pharma distribution facilities. The strategic partnership model has met and exceeded our expectations and in April 2009, we expanded the Arizona model and entered into a strategic partnership with pharmacies and licensed durable medical goods distributors in the states of California, Maryland and Michigan.

**PDA Services, Inc.**

In May of 2009, we renewed our agreements originating in 2005, through our subsidiary PDA Services, Inc. with Mr. Svetislav Milic. Pursuant to these agreements, Mr. Milic, has conveyed, 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 including the use of Colonia's Medicare Provider Identification Number 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. This agreement has been renewed twice since the initial term expired.

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.

## **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 and historical patient medical information using electronic medical records rapidly and reliably via a smart cell phone. The technologies utilize the power of the Internet to move large amounts of data to and from a variety of platforms securely via a number of commercially available smart cell phones, 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 smart cell phone technology offers real-time point of care applications and EMR via proprietary technologies that allow for patient medical data for ten years or more on the cell phone itself.

Our software is designed to integrate point of service applications. Our 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 and EMR smart cell phone information appliance ) software application package, and a permanently affixed handheld information appliance and commercial national cell phone network. Specifically we have marketed our line of MD@Hand smart cell phone-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 payers /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 smart cell phone 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.
2. PDA technology-based companies.

These companies, and others, offer products and services similar to ours: only delivering older 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 smart cell phones as the information delivery vehicle that allow physicians to carry access and update their patients' histories (EMR), 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*<sup>™</sup> and *MD@Work*<sup>™</sup> software application, which also leverages the connectivity of smart cell phone devices via the Internet. This first-in-class smart cell phone 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, smart cell phone-based software application is also used in other, information-intensive industries.

Our proprietary *ResidenceWare*<sup>™</sup> 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. In March 2010 the company's Board of Directors authorized the sale of the ResidenceWare technologies and customer list. Only recently have we received inquiries for the license of this technology suite.

MD@Hand and MD@Work

Information supplied to and from the physician via the smart cell phone 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, our 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 smart cell phone through instaCare's network

Lowers office costs by centralizing all formulary and prescription m

Medical data on one or multiple smart cell phones 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

**Source of Principal Suppliers**

Our suite of software that runs and manages medical applications is proprietary code and does not require raw materials or principal suppliers. Our software is utilized through over-the-counter smart cell phones and computer products, as previously discussed. We employ a proprietary lasered microchip to store the patient data on the smart cell phone, offering a physician current and historical information on his/her patients for ten years or more. Our applications run on smart phones manufactured by Apple, Palm, Motorola, Samsung and many more.

**Dependence on a Few Major Customers**

We generated revenues primarily through our medical prescription and non-prescription pharmaceutical distributions from six 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 ten 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 2010 Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act and 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).

*American Recovery and Reinvestment Act of 2009:* The American Recovery and Reinvestment Act of 2009 stimulus funding of 2009, has allocated \$20 billion for healthcare IT investment. Some of this funding will provide direct incentives to physicians and hospitals and should ensure aggressive implementation of new patient information systems starting in 2011. Spending on instaCare's type of advanced health information technology is anticipated to be greatly expanded due to the ARRA of 2009 increasing our market potential.

## **Personnel**

We currently employ five full-time employees and nine sales and service representatives. No full-time employees are covered by labor agreements or employment contracts.

## **IT Patents, Proprietary Rights and Licenses**

On February 26, 2011 we filed a full utility patent application, Management and Communications System and Method, Serial No. 13/034,639. The patent application covers one hundred four (104) separate processes and encompasses the method, system and apparatus of our software technology and the integration of our software technology into commercial computer networks through commercial smart cell phone devices.

The 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 payers, 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 smart cell phone 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. A suite of software applications, including medical, communications and database applications are resident on each smart cell phone, and communications modules resident in the system automatically link to the network via the cell phones networks, which seamlessly connect to the Internet to update those databases by a novel packet transmission method to maintain confidentiality of the transmitted information.

## **Item 1A. Risk Factors.**

In the course of conducting our business operations, we are exposed to a variety of risks that are inherent to our industry. The following discusses some of the key inherent risk factors that could affect our business and operations, as well as other risk factors, which are particularly relevant to us in the current period of significant economic and market disruption. Other factors besides those discussed below or elsewhere in this report also could adversely affect our business and operations, and these risk factors should not be considered a complete list of potential risks that may affect us.

### Risks Relating To Our Business and Marketplace

#### *Declining economic conditions could negatively impact our business*

Our businesses and earnings are affected by general business and economic conditions in the United States and abroad. General business and economic conditions that could affect us include the level and volatility of short-term

and long-term interest rates, inflation, home prices, employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of credit, investor confidence, the cash flows of our customers, the incomplete implementation and status of the new healthcare law, and the strength of the U.S. economy and the local economies in which we operate.

Economic conditions in the United States and abroad deteriorated significantly during the second half of 2008, and the United States, Europe and Japan currently are either in a recession or a prolonged period of slow growth. Many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions, reflecting concern about the stability of the financial markets generally and the strength of counterparties. This market turmoil and tightening of credit have led to a significant reduction in consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets has adversely affected liquidity and access to capital and credit. We do not expect that the difficult conditions in the United States and international financial markets are likely to improve in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us. The 2010 earthquake, tsunami and the resultant business conditions in Japan are particularly troublesome.

***Continued instability of the U.S. financial system may have a negative impact on our business.***

Beginning in the fourth quarter of 2008, the U.S. government has responded to the ongoing financial crisis and economic slowdown by enacting new legislation and expanding or establishing a number of programs and initiatives. Each of the U.S. Treasury, the FDIC and the Federal Reserve Board have developed programs and facilities, including, among others, the U.S. Treasury's Troubled Asset Relief Program ( TARP ) Capital Purchase Program and other efforts designed to increase inter-bank lending, improve funding for consumer receivables and restore consumer and counterparty confidence in the banking sector. In addition, Congress recently passed the American Recovery and Reinvestment Act of 2009 (the ARRA ), legislation intended to expand and establish government spending programs and provide tax cuts to stimulate the economy. Congress and the U.S. government continue to evaluate and develop various programs and initiatives designed to stabilize the financial and housing markets and stimulate the economy, including the U.S. Treasury has recently announced Financial Stability Plan and the U.S. governments recently announced foreclosure prevention program. The final form of any such programs or initiatives or related legislation cannot be known at this time. There can be no assurance as to the impact that ARRA, the Financial Stability Plan or any other such initiatives or governmental programs will have on the financial markets, including the extreme levels of volatility and limited credit availability currently being experienced. The failure of these efforts to stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect our business, financial condition, results of operations, access to credit, or the trading price of our securities.

***We have historically lost money, which means that we may not be able to continue operations unless we obtain additional funding.***

We have historically incurred significant losses from operations and have an accumulated deficit of \$18,017,063. For the year ended December 31, 2010, we had net loss of \$471,837 compared to net income of \$1,684,356 for the year ended December 31, 2009. We cannot assure you that we will be able to continue to achieve revenue growth, profitability or positive cash flow on either a quarterly or annual basis. Although we believe that we have adequate sales to fund our current level of operating activities through December 31, 2011, if we are unable to sustain profitability, we may not be financially viable in the future and may have to curtail, suspend or cease operations.

***We have been dependent on a small number of major customers to support our prescription and non-prescription diagnostics distribution plan and to refer direct to patient business (assignment of medical benefit) to the company.***

In fiscal 2010 our six largest customers accounted for approximately 99% of our net sales, these sales occurring both from direct sales to our customers and the acceptance of benefit for those patients we service directly. 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 to these customers 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 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. 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.

***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.

*We do not have the financial resources to litigate actions involving our copyrights or patent applications or for claims of the receipt of defective or expired medical products, or a drug-counterfeiting claim.*

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.

Even though we purchase name brand products through our distribution business, and manage the manufacturing of our new Shasta Genstrip product, from time to time we do receive defective, expired or recalled product from suppliers. If the entities that we purchase product from fail to replace the defective or damaged product, our only recourse is to withhold payment. These actions could lead to litigation. In addition, pharmaceutical manufacturers have recently taken advantage of prior case law allowing them to prosecute certain distribution activities as drug counterfeiting claims. While the company maintains general liability, product liability and executive and management liability policies we may not have the financial resources to litigate disputes with companies larger than us and with substantially more resources..



***Our risk management policies and procedures may leave us exposed to unidentified risks or an unanticipated level of risk.***

The policies and procedures we employ to identify, monitor and manage risks may not be fully effective. Some methods of risk management are based on the use of observed historical market behavior. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate. Other risk management methods depend on evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible by us. This information may not be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. We cannot assure you that our policies and procedures will effectively and accurately record and verify this information.

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational and legal reporting systems. Nonetheless, the effectiveness of our ability to manage risk exposure can never be completely or accurately predicted or fully assured.

***Changes in accounting standards, especially those that relate to management estimates and assumptions, are unpredictable and may materially impact how we report and record our financial condition.***

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require use of estimates and assumptions that may affect the value of our assets or liabilities and financial results and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. From time to time the Financial Accounting Standards Board ( FASB ) and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. In addition, accounting standard setters and those who interpret the accounting standards (such as the FASB, the SEC, banking regulators and our outside auditors) may change or even reverse their previous interpretations or positions on how these standards should be applied. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements. For a further discussion of some of our significant accounting policies and standards and recent accounting changes, see Note 1 to the Consolidated Financial Statements.

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

Due to our accumulated 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

***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, 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.

***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.

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

Our Certificate of Incorporation authorizes the Board of Directors to issue up to 1,750,000,000 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.

***By issuing preferred stock, we may be able to delay, defer or prevent a change of control.***

We are authorized to issue a total of 5,000,000 shares of blank check preferred stock and up to; 2,500 shares of Series B, 20,000 shares of Series C, and 1,250,000 shares of Series E, Convertible Preferred Stock. Our Board of Directors can determine the rights, preferences, privileges and restrictions granted to, or imposed upon, the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series. It is possible that our Board of Directors, in determining the rights, preferences and privileges to be granted when the preferred stock is issued, may include provisions that have the effect of delaying, deferring or preventing a change in control, discouraging bids for our common stock at a premium over the market price, or that adversely affect the market price of and the voting and other rights of the holders of our common stock.

***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.**

None

**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 \$4,170 per month on a month-to-month basis.

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 \$3,850. These buildings total 4,000 square feet but our right to use is not exclusive.

**Item 3. Legal Proceedings.**

We transact commerce in several medical products market channels. We also transact commerce by licensing our proprietary medical software that functions by moving confidential medical data through our proprietary medical information technology devices and networks. Our new Shasta Genstrip product required initial regulatory approval by the USFDA as well as on-going USFDA approvals during the product life cycle. Further, Shasta Genstrip required medical patient trials and will compete directly with a major platform manufacturer.

Healthcare, especially those segments where the company competes, is a very litigious. The medical industry is also intertwined. From time to time, we may become involved in claims and litigation that arise out of the normal course of business, such as litigation that emerges from disputes over damaged, missing or contaminated product. We may also become involved in disputes that arise over the business or business practices of our suppliers, payors and customers. The company maintains substantial insurance coverage against suits that may arise over issues of damaged, recalled or counterfeit product and other product liability issues. In addition, the company accrues contingent legal fees and product liability fees. As of December 31, 2010 and 2009, these accruals totaled \$205,500 and \$305,500 respectively.

From time to time, the company may also be subject to demands from individuals or entities. These demands and disputes may consume management time and company resources. 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.

**Cragmont Capital, LLC vs. instaCare Corp. et al.**

The Company received a legal complaint on March 27, 2009 in connection with its 2008 transaction with Cragmont Capital, LLC ("Cragmont"). In Cragmont's Complaint it claims it is entitled to recover the unpaid balance of \$75,000 on a Promissory Note allegedly due in February, 2009, plus interest of \$14,063, and attorneys' fees. Cragmont has amended its complaint twice, the last amendment to raise issues concerning whether it has a legal right to exercise certain warrants.

The written agreement with Cragmont was signed in the first quarter of 2008. The Company raised various affirmative defenses to Cragmont's claims, including claims of breach of contract and misrepresentation, and has sought to rescind the entire agreement. The Company terminated a portion of its relationship with Cragmont for cause, in May 2008. The Company believes that Cragmont breached its obligations in connection with the promised parallel financing transactions. The Company would not have entered into the March 2008 agreement but for the representations of Cragmont concerning the parallel finance transaction[s].

In March 2010, and as part of its recession, the company has returned the \$75,000 it received as consideration in the transaction. On October 1, 2010 the parties entered into a final settlement thereby bringing an end to the litigation.

**Monarch Pointe Fund, Ltd (BVI) in receivership vs. instaCare Corp. et al.**

On June 24, 2010, Monarch Point Fund, Ltd. (BVI) (in receivership) brought an action in United States District Court, Central District of California, Case # CV 10 4703 against instaCare Corp., Keith Berman and Robert Cox alleging conversion by InstaCare of certain Convertible Preferred Series C Stock allegedly owned by Monarch, breach of contract and breach of a promissory note. On August 12, 2010 the company received an initial formal settlement offer through the counsel for the Liquidator. Subsequently there have been additional offers and counter-offers. Among other stated issues these offers of settlement are intended to bring an end to the litigation. The company is now in the process of exchanging final settlement documents.

**Item 4. (removed and reserved)**



## 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 traded sporadically on the over-the-counter bulletin board market (OTC:BB) through January of 2011 and currently trades on the Pink Sheets under the symbol ISCR. 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 available quotations for the high and low bid prices for the fiscal years 2010 and 2009. The quotations from the OTC Bulletin Board reflect inter-dealer prices without retail mark-up, markdown, or commissions and may not represent actual transactions.

|                         |    | 2010  |    |       | 2009 |       |     |       |
|-------------------------|----|-------|----|-------|------|-------|-----|-------|
|                         |    | High  |    | Low   | High |       | Low |       |
| 1 <sup>st</sup> Quarter | \$ | 0.174 | \$ | 0.091 | \$   | 0.040 | \$  | 0.011 |
| 2 <sup>nd</sup> Quarter | \$ | 0.115 | \$ | 0.063 | \$   | 0.060 | \$  | 0.006 |
| 3 <sup>rd</sup> Quarter | \$ | 0.080 | \$ | 0.057 | \$   | 0.030 | \$  | 0.009 |
| 4 <sup>th</sup> Quarter | \$ | 0.060 | \$ | 0.037 | \$   | 0.020 | \$  | 0.007 |

#### (b) Holders of Common Stock

As of March 28, 2011, there were approximately 848 holders of record of our Common Stock and 107,296,052 shares outstanding. As of March 28, 2011, the closing price of our shares of common stock on the Pink Sheets was \$0.04 per share.

#### (c) Dividends

Pursuant to the rights of the Series C convertible preferred, we accrued Dividends to Mercator Momentum Fund, LP and Monarch Pointe Fund, Ltd. and Mercator Advisory Group, LLC ( MAG ) totaling \$677,396 of which \$206,086 has been paid. During this period of time we had no earnings and a stockholders deficit and therefore no basis for issuance



of a dividend. However, in order to prevent potential litigation with the purchaser, the Company elected to accrue the mandatory dividend. During the year ended December 31, 2009, pursuant to Nevada statutes and the cessations of MAG's operations, the Company reversed the previously accrued and unpaid dividends totaling \$471,310.

In the future 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 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. During 2009, all remaining available shares have been issued. As of December 31, 2010, no options are issuable or exercisable 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. We have granted a total of 5,573,450 options under this plan all of which have been exercised. As of December 31, 2010, 739,050 options remain available for issuance under this plan.

##### ***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. We have granted a total of 1,082,295 options under this plan of which 882,295 have been exercised or expired. As of December 31, 2010, 42,705 options remain available for issuance 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 25,500,000 shares that may be issued. We have granted a total of 12,099,997 options under this plan all of which have been exercised or expired. As of December 31, 2010, 13,400,003 options remain available for issuance under this plan.

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.

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.

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, 2010 regarding outstanding options granted under the plans, warrants issued to consultants and options reserved for future grant under the plan.

| <b>Plan Category</b>   | <b>Number of<br/>share to be<br/>issued upon<br/>exercise of<br/>outstanding<br/>options,<br/>warrants and<br/>rights</b> | <b>Weighted- average<br/>exercise price of<br/>outstanding<br/>options, warrants<br/>and rights</b> | <b>Number of<br/>shares available<br/>for future<br/>issuance under<br/>equity<br/>compensation<br/>plans (excluding<br/>shares reflected<br/>in column(a))</b> |
|--|---|---|---|
|  | (a)   | (b)   | (c)   |
| Equity compensation plans<br>approved by shareholders        | -   | \$ -  | -   |
| Equity compensation plans<br>not approved by<br>shareholders | 200,000   | \$ 0.057  | 14,181,758 <b>(1)</b>   |
| Total  | 200,000   | \$ 0.057  | 14,181,758  |

**(1)**

Includes 739,050 options remaining for issuance under the 2004 Option Plan, 42,705 options remaining for issuance under the 2005 Option Plan, and 13,400,003 options remaining under the 2006 Option Plan.

## Recent Sales of Unregistered Securities

On January 12, 2010, we issued 4,500,000 shares of our restricted common stock to three individuals for the exercise of options at an exercise price of \$0.046 per share for total proceeds of \$207,000. 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 20, 2010, we issued 1,250,000 shares of our restricted common stock to Centurion Credit Resources for the conversion of 25,000 shares of our Series E preferred stock. 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 8, 2010, we issued 8,402 shares of our restricted common stock to Centurion Credit Resources as financing fees valued at \$1,092 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 February 8, 2010, we issued 25,000 shares of our restricted common stock to William Walling for sales consulting services performed for the Company valued at \$3,250. 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 16, 2010, we issued 650,000 shares of our restricted common stock to Centurion Credit Resources for the conversion of 13,000 shares of our Series E preferred stock. 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 March 5, 2010, we issued 5,225 shares of our restricted common stock to Centurion Credit Resources as financing fees valued at \$629 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 March 17, 2010, we issued 630,000 shares of our restricted common stock to Centurion Credit Resources for the conversion of 16,000 shares of our Series E preferred stock. 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 April 6, 2010, we issued 2,900,000 shares of our restricted common stock to Novex for the conversion of their note payable and accrued interest. The fair value of shares totaled \$193,955. 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 April 7, 2010, we issued 6,550 shares of our restricted common stock to Centurion Credit Resources as financing fees valued at \$589 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 April 16, 2010, we issued 1,939,543 shares of our restricted common stock to Mr. Knapp, an individual for the conversion of debt. The fair value of shares totaled \$319,000. 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 April 16, 2010, we issued 350,000 shares of our restricted common stock to Mr. Schwartz, an individual for marketing services performed for the Company and valued at \$35,000. 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 April 16, 2010, we issued 300,000 shares of our restricted common stock to Mr. Burke, an individual for the conversion of debt. The fair value of shares issued was \$34,500. 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 April 16, 2010, we issued 1,000,000 shares of our restricted common stock for the conversion of 20,000 shares of our Series E preferred stock. 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 April 27, 2010, we issued 833,335 shares of our restricted common stock to Ms. Asbel, an individual for the exercise of a warrant at an exercise price of \$0.030 per share for total proceeds of \$25,000. 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 May 7, 2010, we issued 3,417 shares of our restricted common stock to Centurion Credit Resources as financing fees valued at \$404 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 May 7, 2010, we issued 25,000 shares of our restricted common stock to Mr. Walling, an individual for sales services performed for the Company and valued at \$9,244. 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 May 26, 2010, we issued 835,000 shares of our restricted common stock for the conversion of 16,700 shares of our Series E preferred stock. 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 June 3, 2010, we issued 2,069 shares of our restricted common stock to Centurion Credit Resources as financing fees valued at \$223 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 June 3, 2010, we issued 3,000,000 shares of our restricted common stock for the conversion of 60,000 shares of our Series E preferred stock. 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 June 4, 2010, we issued a total of 75,000 shares of our restricted common stock to four individuals, Messer, Walling, Rice, Johnson and Livanavage for sales and marketing services performed for the Company valued at \$5,250. 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 July 19, 2010, we issued 500,000 shares of our restricted common stock for the conversion of 10,000 shares of our Series E preferred stock. 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 July 19, 2010, we issued 4,753 shares of our restricted common stock to Centurion Credit Resources as financing fees valued at \$9,558 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 CFO/directors on several occasions prior to its investment decision.

On August 3, 2010, we issued 614 shares of our restricted common stock to Centurion Credit Resources as financing fees valued at \$41 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 August 3, 2010, we issued a total of 60,000 shares of our restricted common stock to three individuals, Messers Walling, Rice and Johnson for sales and marketing services performed for the Company valued at \$4,740. 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 September 2, 2010, we issued 1,854 shares of our restricted common stock to Centurion Credit Resources as financing fees valued at \$139 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 September 2, 2010, we issued 40,000 shares of our restricted common stock to two individuals, Mr. Walling and Ms. Lucas, for sales and marketing services performed for the Company valued at \$3,000. 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 7, 2010, we issued 4,280 shares of our restricted common stock to Centurion Credit Resources as financing fees valued at \$274 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 October 7, 2010, we issued 5,000,000 shares of our restricted common stock for the conversion of \$75,000 in principal debt pursuant to a Settlement and Mutual Release. 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 8, 2010, we issued 945 shares of our restricted common stock to Centurion Credit Resources as financing fees valued at \$51 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 November 8, 2010, we issued 2,000,000 shares of our restricted common stock to Ms. Asbel, an individual for the exercise of options at an exercise price of \$0.04 per share for total proceeds of \$80,000. 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 1, 2010, we issued 3,742 shares of our restricted common stock to Centurion Credit Resources as financing fees valued at \$176 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.

*Issuances subsequent to year end*

On January 5, 2011, we issued 3,801 shares of our restricted common stock to Centurion Credit Resources as financing fees valued at \$182 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 5, 2011, we issued 40,000 shares of our restricted common stock to two individuals, Mr. Walling and Ms. Lucas, for research, communication, sales and marketing services performed for the Company valued at \$2,000. 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, 2010 or 2009.

**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 and life-enhancing prescription and non-prescription diagnostics to several channels in the healthcare industry, a developer of patent-pending technologies for e-health and EMR applications that we employ to leverage and add value to our prescription and non-prescription diagnostics business, and a technology provider to the lodging industry. We have recently added modules to our medical and EMR applications that allow for the management of medical products distribution and reporting management. We are in the initial stages of marketing these new modules under the trade name Decision IT.

Our proprietary MD@Work, MD@Hand and MD@Practice-Probe technologies manage critical data, enhance productivity and e-commerce, and facilitate communication with applications in the healthcare, medical distribution and hotel/motel markets and industries. We have recently focused our business attention towards providing prescription drugs and medical diagnostics through several medical distribution channels. In March 2010, the Board of Directors authorized the sale of our Residenceware technologies and customer list.



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 (smart cell phone). 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 assisted living and 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;

§

Providing medical communication devices based on networks of personal digital assistants (smart cell phone) and desktop computers with software that manages decision, control, audit and fulfillment for the medical products distribution markets. These products are believed to provide benefits of on demand medical information to medical products manufacturers as part of their financial management of distribution contracts;

§

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.

#### Seasonality

The distribution of medical products and medical diagnostics in aggregate account for the overwhelming percentage of our revenues. Our experiences point to a business that displays certain seasonal trends. In each of the last four operating years, our order intake was concentrated in the first five months of the calendar year and to an identifiable but lesser degree in the last two months of the calendar year. One explanation is that these months correspond with the beginning of a prescription drug plan years 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. We anticipate that these trends will be affected by the introduction of Shasta Genstrip where initial stocking by the company's retail customers and distribution chains.

**Results of Operations for the years ended December 31, 2010 and 2009 compared.**

The following tables summarize selected items from the statement of operations for the years ended December 31, 2010 compared to 2009.

**INCOME:**

|                     | For the Years Ended |              | Increase (Decrease) |            |    |           |         |
|---------------------|---------------------|--------------|---------------------|------------|----|-----------|---------|
|                     | 2010                | December 31, | 2009                |            |    |           |         |
|                     |                     |              |                     |            |    |           |         |
| Revenue             | \$                  | 18,913,712   | \$                  | 19,607,230 | \$ | (693,518) | (3.54%) |
| Cost of sales       |                     | 17,277,058   |                     | 18,027,559 |    | (750,501) | (4.16%) |
| Gross profit        | \$                  | 1,636,654    | \$                  | 1,579,671  | \$ | 56,983    | 3.61%   |
| Gross profit margin |                     | 8.65%        |                     | 8.06%      |    |           | 0.60%   |

Revenue for the fiscal year ended December 31, 2010 was \$18,914,000 compared to revenue of \$19,600,000 in the fiscal year ended December 31, 2009. This resulted in a slight decrease in revenue of \$693,500 or 3.5%, from the same period a year ago. We attribute the minimal decline in revenue to the general economic conditions during 2010. Our decrease in cost of sales was in part due to our revenue decrease but more significantly was the result of managements re-negotiated wholesale costing of our largest volume product from our major suppliers. As a result of stronger buying power, our increase in gross profit margin was approximately 1% over the previous fiscal year from 8% to 9%.

**OPERATING EXPENSES:**

|                          | For the Years Ended |         | December 31, |         | Increase (Decrease) |         |
|--------------------------|---------------------|---------|--------------|---------|---------------------|---------|
|                          | 2010                |         | 2009         |         | \$                  | %       |
| <b>Expenses:</b>         |                     |         |              |         |                     |         |
| General & administrative | \$                  | 337,154 | \$           | 296,927 | \$ 40,227           | 13.5%   |
| Consulting               |                     | 310,449 |              | 116,927 | 193,522             | 165.5%  |
| Payroll expense          |                     | 58,524  |              | 166,549 | (108,025)           | (64.8%) |
| Professional fees        |                     | 146,227 |              | 81,262  | 64,965              | 79.95%  |
| Total operating expenses |                     | 852,354 |              | 661,665 | 190,689             | 28.82%  |
| Net operating income     | \$                  | 784,300 | \$           | 918,006 | \$ (133,706)        |         |

Operating expenses increased by approximately 29% over the previous year primarily due to an increase of 245% in consulting and professional fees. However, we also experienced a 65% decline in our payroll expense and in totality we experienced an overall increase in operating expenses of 29%.

During 2010, we engaged the services of additional sales and marketing consultants in an effort to expand our market share. Historically, management shifts its labor requirements between, outside consultants, casual labor and in-house management dependent upon availability and cost effectiveness of resources. During 2010, the majority of our labor was derived from the use of outside consultants whereas in 2009, it was primarily in-house management. Our compensation structure is comprised of both cash and equity of the Company. During 2010, we paid a total of \$99,800 in cash to our outside consultants compared to \$70,200 in the previous year. Our non-cash compensation total \$210,600 in 2010 compared to \$46,700 in 2009. During 2009, we issued shares of the Company's common stock to our executive management valued at \$115,500 for their services to the Company compared to \$11,200 in 2010, a decrease of \$104,300 in equity compensation to our executives. Cash compensation paid to individuals for casual labor totaled \$47,300 in 2010 compared to \$49,600 in 2009.

Professional fees include accounting services, legal fees and regulatory reporting compliance. We expensed a total of \$58,000 in accounting and audit fees in 2010 compared to \$75,000 in 2009. During 2010, the fees incurred for outside accounting services was \$22,500 compared to \$38,400 in 2009, a decrease of \$15,900. Fees paid to our independent audit firm, remained consistent at approximately \$35,000. Our increase in legal fees of \$77,200, as expected by management was attributable to various litigation occurring throughout our most recent fiscal year. We anticipate our legal fees to continue a fairly similar amount until ongoing litigation issues are resolved.

**OTHER INCOME (EXPENSE):**

|                                   | For the Years Ended<br>December 31, |              | Increase (Decrease) |        |
|-----------------------------------|-------------------------------------|--------------|---------------------|--------|
|                                   | 2010                                | 2009         | \$                  | %      |
| <b>Other income<br/>(expense)</b> |                                     |              |                     |        |
| Financing costs                   | \$ (186,899)                        | \$ (407,269) | \$ 220,370          | (54%)  |
| Interest expense                  | (458,280)                           | (172,248)    | 286,032             | 166%   |
| Settlement expense                | (648,004)                           | -            | (648,004)           | -      |
| Gain on debt settlement           | 34,046                              | 1,450,867    | (1,416,821)         | (98%)  |
| Contingent expenses               | -                                   | (105,000)    | 105,000             | -      |
| Other income                      | 3,000                               | -            | 3,000               | -      |
| Total operating<br>expenses       | (1,256,137)                         | 766,350      | (2,022,487)         | (264%) |
| Net income                        | \$ (471,837)                        | \$ 1,684,356 | \$ (2,156,196)      | (128%) |

Our other income and expense represents costs related to our financing activities, more specifically the costs associated with our line of credit with Centurion Credit Resources, LLC. ( Centurion ). Centurion has provided us a line of credit up to \$2,500,000. Our costs associated with maintaining our line of credit include the issuance of shares of our common stock equal to 80% of each advance. During 2010, we were advanced a total of \$15,800,000 compared to \$17,100,000 in 2009. The fair value of shares issued in connection with these advances is included in financing costs. In addition to the share issuances, pursuant to the term of our agreement with Centurion, we are charged interest at a rate of 2% per month on the unpaid principal balance. During 2010, we recorded \$400,700 compared to \$370,812 in 2009. The remaining interest expense of \$58,000 originates from two notes payable with a total principal balance of \$223,700.

For the years ended December 31, 2010 and 2009, management has entered into various agreements for the settlement of the Company's historic debt obligations. As a result of these negotiated settlements, the Company's obligations have been reduced from their historical carrying amounts. In 2010, settlements were negotiated down \$34,000 compared to \$1,450,000 below carrying amounts in 2009. In addition to the negotiated gains, we also agreed to pay a settlement fee of \$75,000 to one note holder upon the conversion of the principal balance of the note. We do not anticipate further gains on debt settlement or other settlement cost during 2011.

## 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, 2010 compared to December 31, 2009.

|                     |    | December 31, |              |    | Increase (Decrease) |         |
|---------------------|----|--------------|--------------|----|---------------------|---------|
|                     |    | 2010         | 2009         |    | \$                  | %       |
| Current assets      | \$ | 4,690,218    | \$ 4,302,987 | \$ | 387,237             | 9.0%    |
| Current liabilities |    | 2,127,110    | 2,731,878    |    | (604,768)           | (22.1%) |
| Working capital     | \$ | 2,563,108    | \$ 1,571,109 | \$ | 991,999             | 63%     |

### *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, later known as MAG Capital, LLC (MAG). Under the terms of the agreements, 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. Additionally, we issued 1,250,000 warrants to purchase share of our common stock at \$1.60 per share, all of the warrants expired on February

7, 2008. However, prior to the expiration of the warrants, MAG ordered the company to transfer the warrants originally issued to Mercator Momentum Fund, LP and Monarch Pointe Fund, Ltd. to MAG Capital, LLC, in breach of the agreements.

Through September 30, 2009, MAG had converted 2,140 shares of their Series C preferred into 1,372,901 shares of our restricted common stock. Subsequently MAG attempted to convert shares without seeking the company's concurrence, a breach of the agreements. On several occasions, MAG succeeded. In addition, MAG pre-sold shares that would have resulted from conversions, a breach of the anti-short sale provisions of the agreements. On October 8, 2008 the company received a letter from Kroll (BVI) Limited of the British Virgin Islands ( Receiver or Liquidator ) informing the company that the Monarch Pointe Fund, Ltd ( Monarch ) had lapsed into receivership and/or liquidation. The company was advised to cease all written and/or oral communications with MAG Capital, LLC.

Beginning in late 2009 we have received and exchanged additional letters regarding this liquidation whereupon the Liquidator made specific demands for certain stock and repayment of a certain Promissory Note. However these demands were never made specific enough for the company to respond in any way other than to ask the Liquidator to provide full documentation supporting their alleged claims. Subsequently on June 24, 2010, Monarch Point Fund, Ltd. (in receivership) brought an action in federal district court against Instacare Corp., Keith Berman and Robert Cox. The company and Mr. Berman intend to vigorously defend this suit and also intend to file counterclaims in this matter. On August 12, 2010 we received an initial settlement offer through the counsel for the Liquidator. Subsequently there have been additional offers and counter-offers. Among other stated issues these offers of settlement will bring an end to the litigation.

Subsequently the company has learned that Mercator Momentum Fund, LP had also lapsed into receivership and liquidation.

### **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. On February 10, 2005, we entered into a note extension agreement whereby Pinnacle agreed to advance an additional \$400,000 and extend the maturity until April 24, 2006. On July 1, 2006, we entered into a second extension of the note, which matured on December 24, 2006. We are accruing interest at a default rate of 12% per annum. The note is convertible at a rate of \$0.30 per share and has been secured by 2,212,500 shares of our common stock, which can be sold by the lender as a means to repay the balance due. As of December 31, 2009, Pinnacle has sold 924,948 escrow shares valued at \$406,215, which has been applied to accrued interest and the principal balance of the note.

Since August 3, 2006, the Company has not had contact with any of the Pinnacle Fund management or attorney in fact. We did not deliver the shares called for under the July 1, 2006 extension after being advised by the fund management to stand still. Other shares previously issued remain. On September 23, 2007 the company received a phone call from an attorney formerly associated with Pinnacle Investment Partners, LP and was advised that the fund had ceased operations, and was closed. We were also informed that of the two fund principals, one was deceased and the other incarcerated.

### **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. As of September 30, 2009, the remaining principal balance was \$130,000. On April 14, 2010, we accepted Mr. Cantor request to convert the principal balance plus accrued interest into shares of the Company's common stock. We have issued to Mr. Cantor 1,939,543 common stock shares.

### **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, 2009. Mr. Knapp exercised his option on March 30, 2007. In March 2010, Mr. Knapp elected to convert his note and accrued interest into 2,900,000 common stock shares.

### **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. As of October 2008, the company renewed its agreement with Centurion Credit Resources, LLC until November 17, 2009 and as an inducement to renew the credit line was increased to \$2,000,000, with additional seasonal increases to \$2,500,000. Terms of the credit facility allow us to increase the available credit in increments of \$250,000 as our business grows. We believe the existing facility is sufficient to finance our at home diabetes diagnostics business for revenues up to \$15.0 million per quarter. In June 2010, we began discussions with Centurion for an additional \$6.0 million credit facility to provide available credit to finance sales of our new at-home testing diagnostic product. In December of 2010, we executed our renewal agreement with Centurion for an additional one-year term. (See Note 4 to the consolidated financial statements) In January of 2011, we were notified of a discrepancy in the principal loan balance through confirmation requests. Pursuant to paragraph 6 of our amended and restated loan agreement dated December 31, 2010, any recourse that would have been afforded to us is negated by agreement to remise, release and forever discharge lender from any and all claims, losses, liabilities demands and causes of action of any kind whatsoever, whether absolute or contingent, known or unknown, matured or un-matured. The discrepancy in balance was the result of an interpretation of the interest calculation and amount to \$573,004. At December 31, 2010, we have recorded a settlement expense in this amount.



**Cragmont Capital, LLC**

In March 2008, we entered into a Convertible Promissory Note Purchase Agreement with Cragmont Capital, LLC ( Cragmont ) wherein Cragmont agreed to loan the Company an aggregate sum of \$250,000. As of September 30, 2008, we have received \$75,000. Cragmont contends the loan was for one year, maturing on February 28, 2009. The total amount owing pursuant to the agreement, was convertible at the option of the lender, at a strike price equal to \$0.015 per share. Further, we agreed subject to certain conditions to issue 100 warrants with a strike price of \$0.03 expiring on December 31, 2010 for every dollar loaned by Cragmont.

The warrant transaction was conditioned upon Cragmont purchasing the warrant at closing. No agreement was ever reached with Cragmont as to the purchase price for the warrants, and they were never purchased by Cragmont at the closing. During the year ended December 31, 2008, we terminated our relationship with Cragmont. On March 10, 2010, we issued payment in the amount of \$75,000 to Cragmont, representing the return of partial funding pursuant to our rescission of the March 1, 2008 agreement. The company entered formal settlement discussions covering the remainder of the agreement in dispute in July 2010 and completed the settlement in October, 2010.

***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 2010 and anticipated growth for 2011 we may, during our normal course of business, experience net negative cash flows from operations, pending receipt of revenue, which often are delayed because 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, 2010, our cash balance was \$220,390. 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, from time to time, 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. .

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.

Given our 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 report 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.

**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 Seale & Beers, LLC and Beckstead & Watts, LLP independent registered public accounting firms, to audit our consolidated financial statements. Their accompanying reports are based on audits conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

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**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, 2009 and the related consolidated statements of operations, shareholders' equity, and cash flows for the year 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, 2009 and the consolidated results of its operations, shareholders' equity, and cash flows for the year 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/ Beckstead & Watts, LLP

Las Vegas, Nevada

April 12, 2010

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**SEALE AND BEERS, CPA S**

**PCAOB & CPAB REGISTERED AUDITORS**

www.sealebeers.com

**Report of Independent Registered Public Accounting Firm**

**To the Board of Director and Stockholders of**

**instaCare Corp**

**Westlake Village, CA**

We have audited the accompanying consolidated restated balance sheet of instaCare Corp. as of December 31, 2010 and the related consolidated statements of operations, shareholders' equity, and cash flows for the year 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, 2010 and the consolidated results of its operations, shareholders' equity, and cash flows for the year 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.

As discussed in Note 1 to the financial statements, the Company has restated its balance sheet.

/s/ Seale & Beers, CPA's

Las Vegas, Nevada

April 15, 2011, except for Notes 1 and 4, which the date is May 20, 2011

50 S. Jones Blvd. Suite 202 Las Vegas NV 89107 Phone: (888)727-8251 Fax: (888)782-2351

**instaCare Corp.****Consolidated Balance Sheets**

|   |                           | December 31,       |              |
|---|---------------------------|--------------------|--------------|
| Assets  |                           | 2010<br>(Restated) | 2009         |
| <b>Current assets:</b>  |                           |                    |              |
| Cash  |                           | \$ 220,390         | \$ 239,302   |
| Accounts receivable   |                           | 3,155,184          | 3,612,647    |
| Prepaid expenses  |                           | 1,314,644          | 451,038      |
|   | Total current assets      | 4,690,218          | 4,302,987    |
| <b>Fixed assets:</b>  |                           |                    |              |
| Furniture and fixtures  |                           | 2,530              | 2,530        |
| Computer equipment  |                           | 232,365            | 232,365      |
| Less accumulated depreciation   |                           | 234,895            | 234,895      |
|   | Fixed assets, net         | -                  | -            |
| <b>Other assets</b>   |                           |                    |              |
| Intellectual property   |                           | 9,950              | -            |
| Amortizable loan fees   |                           | -                  | 21,250       |
|   | Total other assets        | 9,950              | 21,250       |
|   | Total assets              | \$ 4,700,168       | \$ 4,324,237 |
| <b>Liabilities and Stockholders Equity</b>  |                           |                    |              |
| <b>Current liabilities:</b>   |                           |                    |              |
| Accounts payable  |                           | \$ 87,235          | \$ 81,182    |
| Accrued liabilities   |                           | 100,808            | 83,191       |
| Accrued interest  |                           | 116,521            | 307,147      |
| Line of credit related party  |                           | 1,598,801          | 1,593,566    |
| Notes payable and short term borrowings   |                           | 223,745            | 666,792      |
|   | Total current liabilities | 2,127,110          | 2,731,878    |
| Contingencies   |                           | 205,000            | 305,500      |
| <b>Stockholders Equity</b>  |                           |                    |              |
| Preferred series B stock, \$0.001 par value, 2,500 shares authorized no shares issued and outstanding as of December 31, 2010 and 2009, respectively                          |                           | -                  | -            |
| Preferred series C stock, \$0.001 par value, 20,000 shares authorized, no shares issued and outstanding as of December 31, 2010 and 2009, respectively                        |                           | -                  | -            |
| Preferred series E stock, \$0.001 par value, 1,250,000 shares authorized, 1,110,000 and 932,616 Shares issued and outstanding as of December 31, 2010, and 2009, respectively |                           | 1,110              | 932          |

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|  |  |              |              |              |
|--|--|--------------|--------------|--------------|
| Common stock, \$0.001 par value, 1,750,000,000 shares authorized,<br>100,602,281 and 76,652,239<br>shares issued and outstanding as of December 31, 2010 and<br>2009, respectively |  | 102,651      |              | 76,652       |
| Subscription receivable  |  | (80,000)     |              |              |
| Additional paid in capital   |  | 20,360,860   |              | 18,754,500   |
| Accumulated (deficit)  |  | (18,017,063) |              | (17,545,226) |
| Total stockholders equity  |  | 2,367,558    |              | 1,286,859    |
|  | Total liabilities and stockholders<br>equity |              | \$ 4,700,168 | \$ 4,324,237 |

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

**instaCare Corp.****Consolidated Statements of Operations**

|   | The Years Ended<br>December 31, |               |
|---|---------------------------------|---------------|
|   | 2010                            | 2009          |
| Revenue:  |                                 |               |
| Sales   | \$ 18,913,712                   | \$ 19,607,230 |
| Cost of sales   | 17,277,058                      | 18,027,559    |
| Gross profit  | 1,636,654                       | 1,579,671     |
| Expenses:   |                                 |               |
| General & administrative  | 337,153                         | 296,927       |
| Consulting  | 310,449                         | 116,927       |
| Payroll expense   | 58,524                          | 166,549       |
| Professional fees   | 146,227                         | 81,262        |
| Total expenses  | 852,353                         | 661,665       |
| Net operating income  | 784,301                         | 918,006       |
| Other income (expense):   |                                 |               |
| Financing costs related party   | (186,899)                       | (176,120)     |
| Interest expense related party  | (400,781)                       | (231,149)     |
| Interest expense  | (57,499)                        | (172,248)     |
| Other income  | 3,000                           | -             |
| Settlement expense  | (648,004)                       | -             |
| Debt Forgiveness  | (34,046)                        | 1,450,867     |
| Contingent expense  | -                               | (105,000)     |
| Total other income (expense)  | (1,256,137)                     | 766,350       |
| Net income (loss)   | (471,837)                       | 1,684,356     |
| Add: Dividends declared on preferred  | -                               | -             |
| Income (loss) available to common shareholders'                                 | \$ (471,837)                    | \$ 1,684,356  |
| Weighted average number of<br>common shares outstanding-basic and fully diluted | 93,580,070                      | 57,082,546    |
| Net income (loss) per share basic and fully diluted                             | \$ (0.01)                       | \$ 0.03       |

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

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## instaCare, Corp.

## Consolidated Statement of Changes of Stockholders Equity

|  | Preferred Stock<br>Shares | Preferred Stock<br>Amount | Common Stock<br>Shares | Common Stock<br>Amount | Additional Paid-in<br>Capital | Unamortized<br>Share<br>Issuances | Dividends<br>Payable | Accumulated<br>(Deficit) | Total<br>Stockholders<br>Equity |
|--|---------------------------|---------------------------|------------------------|------------------------|-------------------------------|-----------------------------------|----------------------|--------------------------|---------------------------------|
| Balance,<br>December<br>31, 2008                     | 292,326                   | \$ 294                    | 46,844,498             | \$ 46,845              | \$ 17,860,880                 | \$ 2,046                          | \$ 471,310           | \$ (19,700,892)          | \$ (1,319,517)                  |
| Shares<br>previously<br>authorized                   | -                         | -                         | -                      | -                      | 2,046                         | (2,046)                           | -                    | -                        | -                               |
| Options<br>issued for<br>services                    | -                         | -                         | -                      | -                      | 92,225                        | (46,113)                          | -                    | -                        | 46,112                          |
| Shares issued<br>for<br>services                     | -                         | -                         | 13,810,000             | 13,810                 | 119,790                       | -                                 | -                    | -                        | 133,600                         |
| Shares issued<br>for<br>financing                    | 276,600                   | 276                       | 1,562,241              | 1,562                  | 390,759                       | -                                 | -                    | -                        | 392,597                         |
| Series E<br>issued for<br>renewal fees               | 60,000                    | 60                        | -                      | -                      | 25,440                        | (21,250)                          | -                    | -                        | 4,250                           |
| Options<br>exercised<br>for cash                     | -                         | -                         | 4,850,000              | 4,850                  | 261,650                       | -                                 | -                    | -                        | 266,500                         |
| Conversion of<br>Series E<br>preferred<br>stock      | (191,710)                 | (192)                     | 9,585,500              | 9,586                  | (9,393)                       | -                                 | -                    | -                        | -                               |
| Cancellation<br>of Series<br>C preferred             | (225,000)                 | (225)                     | -                      | -                      | 225                           | -                                 | -                    | -                        | -                               |
| Series E<br>escrow shares<br>issued for<br>financing | 720,000                   | 720                       | -                      | -                      | (720)                         | -                                 | -                    | -                        | -                               |
| Cancellation<br>of<br>dividends                      | -                         | -                         | -                      | -                      | -                             | -                                 | (471,310)            | 471,310                  | -                               |
| Cancellation<br>of<br>related-party<br>debt          | -                         | -                         | -                      | -                      | 11,598                        | -                                 | -                    | -                        | 11,598                          |
| Net income   | -                         | -                         | -                      | -                      | -                             | -                                 | -                    | 1,684,356                | 1,684,356                       |

|   |                |                       |               |                   |                 |          |                     |                  |
|---|----------------|-----------------------|---------------|-------------------|-----------------|----------|---------------------|------------------|
| <b>Balance,<br/>December<br/>31, 2009</b> | <b>932,216</b> | <b>933 76,652,239</b> | <b>76,653</b> | <b>18,754,500</b> | <b>(67,363)</b> | <b>-</b> | <b>(17,545,226)</b> | <b>1,219,496</b> |
|---|----------------|-----------------------|---------------|-------------------|-----------------|----------|---------------------|------------------|

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

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## instaCare, Corp.

## Consolidated Statement of Changes of Stockholders Equity

|  | Preferred Stock |        | Common Stock |           | Additional    | Unamortized  | Accumulated | Total          |              |
|--|-----------------|--------|--------------|-----------|---------------|--------------|-------------|----------------|--------------|
|  | Shares          | Amount | Shares       | Amount    | Paid-in       | Subscription | (Deficit)   | Stockholders   |              |
|  |                 |        |              |           | Capital       | Share        |             | Equity         |              |
|  |                 |        |              |           |               | Receivable   |             |                |              |
|  |                 |        |              |           |               | Issuances    |             |                |              |
| Balance,<br>December 31,<br>2009                     | 932,216         | \$ 933 | 76,652,239   | \$ 76,653 | \$ 18,754,500 | \$ -         | \$(67,363)  | \$(17,545,226) | \$ 1,219,496 |
| Shares issued<br>for services                        | -               | -      | 615,000      | 615       | 55,375        | -            | -           | -              | 55,990       |
| Options and<br>warrants issued<br>for services       | -               | -      | -            | -         | 119,774       | -            | -           | -              | 119,774      |
| Shares issued<br>for financing                       | -               | -      | 45,652       | 45        | 122,272       | -            | -           | -              | 122,317      |
| Options<br>exercised for<br>cash                     | -               | -      | 7,333,335    | 7,333     | 304,667       | (80,000)     | -           | -              | 232,000      |
| Conversion of<br>Series E<br>preferred stock         | (222,216)       | (222)  | 7,865,000    | 7,865     | (7,643)       | -            | -           | -              | -            |
| Series E<br>escrow shares<br>issued for<br>financing | 200,000         | 200    | -            | -         | (200)         | -            | -           | -              | -            |
| Series E issued<br>for renewal fee                   | 200,000         | 200    | -            | -         | 399,800       | -            | -           | -              | 400,000      |
| Shares issued<br>for debt<br>conversion              | -               | -      | 10,139,543   | 10,140    | 612,315       | -            | -           | -              | 622,455      |
| Amortization<br>of prepaid<br>finance fees           | -               | -      | -            | -         | -             | -            | 21,250      | -              | 21,250       |
| Amortization<br>of prepaid                           |                 |        |              |           |               |              |             |                |              |



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|                                   |                  |                     |                    |                       |                      |                    |             |                       |                     |
|-----------------------------------|------------------|---------------------|--------------------|-----------------------|----------------------|--------------------|-------------|-----------------------|---------------------|
| equity compensation               | -                | -                   | -                  | -                     | -                    | -                  | 46,113      | -                     | 46,113              |
| Net income                        | -                | -                   | -                  | -                     | -                    | -                  | -           | (471,837)             | (471,837)           |
| <b>Balance, December 31, 2010</b> | <b>1,110,000</b> | <b>\$ 1,110,000</b> | <b>102,650,769</b> | <b>\$ 102,651,000</b> | <b>\$ 20,360,860</b> | <b>\$ (80,000)</b> | <b>\$ -</b> | <b>\$(18,017,063)</b> | <b>\$ 2,367,558</b> |

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

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

|  | For the Years Ended<br>December 31, |              |
|--|-------------------------------------|--------------|
|  | 2010                                | 2009         |
| Cash flows from operating activities   |                                     |              |
| Net income   | \$ (471,837)                        | \$ 1,684,356 |
| Adjustments to reconcile net income to<br>net cash provided (used) by operating activities |                                     |              |
| Shares issued for services   | 55,990                              | 133,600      |
| Shares issued for financing  | 122,317                             | 392,597      |
| Options and warrants issued for services   | 119,777                             | 46,112       |
| Amortization of financing fees   | 54,583                              | 14,671       |
| Settlement expense   | 1,156,750                           | -            |
| Gain on debt settlement  | (34,046)                            | (1,450,867)  |
| Changes in operating assets and liabilities:   |                                     |              |
| Accounts receivable  | (699,287)                           | (1,556,042)  |
| Inventory  | -                                   | 677,961      |
| Prepaid expenses   | (863,605)                           | (393,909)    |
| Other assets   | -                                   | 3,412        |
| Accounts payable   | 6,053                               | 44,078       |
| Accrued liabilities  | (82,383)                            | (37,815)     |
| Accrued interest   | 35,874                              | 153,606      |
| Net cash (used) by operating activities  | (599,817)                           | (183,240)    |
| Cash flows (used) in investing activities  |                                     |              |
| Intellectual property  | (9,950)                             | -            |
| Net cash (used) by investing activities  | (9,950)                             | -            |
| Cash flows from financing activities   |                                     |              |
| Proceeds (payments), line of credit related<br>party                                       | 371,902                             | 59,968       |
| Payments on notes payable  | (13,047)                            | (15,134)     |
| Options exercised for cash   | 232,000                             | 266,500      |
| Net cash (used) by financing activities  | 590,855                             | 311,334      |
| Net increase (decrease) in cash  | (18,912)                            | 128,094      |
| Cash beginning   | 239,302                             | 111,208      |
| Cash ending  | \$ 220,390                          | \$ 239,302   |
| Supplemental disclosures:  |                                     |              |
| Interest paid  | \$ 418,247                          | \$ 15,777    |
| Income taxes paid  | \$ -                                | \$ -         |
| Non-cash transactions:   |                                     |              |
| Shares and options issued for services   | \$ 55,990                           | \$ 103,600   |

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|  |    |         |    |         |
|--|----|---------|----|---------|
| Options and warrants issued for services | \$ | 119,777 | \$ | -       |
| Shares issued for financing activities   | \$ | 122,317 | \$ | 118,267 |
| Shares issued for debt conversion        | \$ | 622,454 | \$ | 17,500  |

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

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**instaCare Corp.**

**Notes to Consolidated Financial Statements**

**Note 1 Significant accounting policies and procedures, and restatement of balance sheet**

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, 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 smart cell phone that is enabled through a Wi-Fi link to the Internet.

Since 2005, we have established five fulfillment centers to service primarily diabetic patients in the states of New Jersey, New York, Arizona and Maryland.

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

#### Restatement of financial statements

In connection with the review of our financials statements for the three-month period ended March 31, 2011, we determined that the application of accounting principals with respect to the recording of stock issued in lieu of cash for annual loan renewal fees, was not applicable to our transaction with Centurion Credit Resources. In addition, due to our material relationship with Centurion, with respect to our financing activities, Centurion is deemed to be a related party in accordance with generally accepted accounting principals. Therefore, we have restated our balance sheet for the year ended December 31, 2010, to reflect the reclassification of the fair value of our loan renewal fee, net of amortization as a discount against our line of credit liability verses the previously presentation as an amortizable asset. The effects of the change in application of accounting principal is limited solely to the balance sheet whereby decreasing total assets and liabilities by \$366,667. Pursuant to generally accepted accounting principals, we have also added the caption related party to all accounts related to Centurion, on the face of our financial statements.

The following table presents the effect of the restated adjustment by financial statement line item for the Consolidated Balance Sheet for the year ended December 31, 2010:

|  | For the Year Ended December 31, 2010 |             |              |
|--|--------------------------------------|-------------|--------------|
|  | As previously<br>Stated              | Adjustments | As Restated  |
| <b>Assets</b>  |                                      |             |              |
| <b>Current assets:</b>   |                                      |             |              |
| Cash   | \$ 220,390                           |             | \$ 220,390   |
| Accounts receivable  | 3,155,184                            |             | 3,155,184    |
| Prepaid expenses   | 1,314,644                            |             | 1,314,644    |
| Total current assets   | 4,690,218                            |             | 4,690,218    |
| <b>Fixed assets:</b>   |                                      |             |              |
| Furniture and fixtures   | 2,530                                |             | 2,530        |
| Computer equipment   | 232,365                              |             | 232,365      |
| Less accumulated depreciation  | 234,895                              |             | 234,895      |
| Fixed assets, net  | -                                    |             | -            |
| <b>Other assets</b>  |                                      |             |              |
| Intellectual property  | 9,950                                |             | 9,950        |
| Amortizable loan fees  | 366,667                              | (366,667)   | -            |
| Total other assets   | 376,617                              |             | 9,950        |
| Total assets   | \$ 5,066,835                         |             | \$ 4,700,168 |
| <b>Liabilities and Stockholders Equity</b>   |                                      |             |              |
| <b>Current liabilities:</b>  |                                      |             |              |
| Accounts payable   | \$ 87,235                            |             | \$ 87,235    |
| Accrued liabilities  | 100,808                              |             | 100,808      |
| Accrued interest   | 116,521                              |             | 116,521      |
| Line of credit related party   | -                                    | 366,667     | 1,598,801    |
| Notes payable and short term borrowings  | 2,189,213                            | (1,965,468) | 223,745      |
| Total current liabilities  | 2,493,777                            | 1,965,468   | 2,127,110    |
| Contingencies  | 205,000                              |             | 205,500      |
| <b>Stockholders Equity</b>   |                                      |             |              |
| Preferred series B stock, \$0.001 par value, 2,500 shares authorized no shares issued and outstanding as of December 31, 2010 and 2009, respectively | -                                    |             | -            |
| Preferred series C stock, \$0.001 par value, 20,000 shares authorized, no  | -                                    |             | -            |

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|  |              |              |
|--|--------------|--------------|
| shares issued and outstanding as of December 31, 2010<br>and 2009, respectively  |              |              |
| Preferred series E stock, \$0.001 par value, 1,250,000 shares<br>authorized,<br>1,110,000 and 932,616 Shares issued and outstanding<br>as of December 31, 2010, and 2009, respectively | 1,110        | 1,110        |
| Common stock, \$0.001 par value, 1,750,000,000 shares<br>authorized,<br>100,602,281 and 76,652,239 shares issued and<br>outstanding as of December 31, 2010 and 2009,<br>respectively  | 102,651      | 102,651      |
| Subscription receivable  | (80,000)     | (80,000)     |
| Additional paid in capital   | 20,360,860   | 20,360,860   |
| Accumulated (deficit)  | (18,017,063) | (18,017,063) |
| Total stockholders equity  | 2,367,558    | 2,367,558    |
| Total liabilities and<br>stockholders equity   | \$ 5,066,835 | \$ 4,700,168 |

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### Principles of Consolidation

The financial statements include those of: instaCare Corp. ( instaCare ); and its wholly owned subsidiaries, PDA Services, Pharmtech, Inc. Pharmatech Solutions, Inc. and Decision IT. All significant inter-company transactions and balances have been eliminated. instaCare and its subsidiaries are collectively referred to herein as the Company . 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, 2010 and 2009, we did not have non-marketable investments.

### 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, 2010 and 2009.

### Credit Risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2010 and 2009, the Company did not have balances in excess of FDIC insured limits.

### 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.

### 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, 2010 and 2009, inventory was \$0 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.

### Long-Lived Assets

The Company accounts for its long-lived assets in accordance with ASC Topic 360-10-05, *Accounting for the Impairment or Disposal of Long-Lived Assets*. ASC Topic 360-10-05 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value. During the years ended December 31, 2010 and 2009, no impairment loss was recognized. Costs associated with patent applications are not being amortized. Upon the issuance of a patent, its respective cost will be amortized over the patent's estimated useful life.

### Loan fees

Loan fees incurred in connection with the Company's financing activities are recorded as a contra liability to the originating debt. The Company amortizes the discount to financing expense or equity (if the debt is due to a related party), over the term of the debt using the straight-line method.

### Revenue recognition

The Company recognizes revenue in accordance with ASC subtopic 605-10 (formerly SEC Staff Accounting Bulletin No. 104 and 13A, *Revenue Recognition*) net of expected cancellations and allowances. As of December 31, 2010 and 2009, the Company evaluated evidence of cancellation in order to make a reliable estimate and determined there were no material cancellations during the years and therefore no allowances has been made.

We recognize revenue from our sales of pharmaceutical supplies upon delivery to its customer where the fee is fixed or determinable, and collectability 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.

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, 2010 and 2009, 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. As of December 31, 2010 and 2009, we have accrued contingent legal fees and product liability fees totaling \$205,500 and \$305,500 respectively.

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, 2010 and 2009. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, accounts receivable, accounts payable, accrued liabilities 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

The Company reviews its 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, the Company 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. The Company recognized no impairment losses during the years ended December 31, 2010 and 2009.



### Earnings per share

Earnings per share is provided in accordance with ASC Topic 260 Earnings Per Share (as amended). The Company presents basic earnings per share (EPS) and diluted EPS on the face of consolidated statements of operations. Basic EPS is computed by dividing reported earnings by the weighted average shares outstanding. Diluted EPS is computed by adding to the weighted average shares the dilutive effect if stock options and warrants were exercised into common stock. 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. Basic earnings per common share are based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is based on the weighted average number of common shares, plus all stock options and warrants convertible into common stock for an additional 850,000 common shares; all preferred stock converted into common stock for an additional 55,500,000 common shares; and all convertible debt converted into common stock for an additional 4,833,333 common shares.

### Income Taxes

The Company follows ASC subtopic 740-10 (formerly Statement of Financial Accounting Standard No. 109, Accounting for Income Taxes) for recording the provision for income taxes. ASC 740-10 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

### Concentrations

In 2010, six customers of the Company accounted for approximately 99% of our net sales compared to 96% of total sales being attributable to five major customers in 2009. Since January 1, 2006 the company's operations require maintaining strategic relationships with its customers whereby the Company delivers product and services directly to

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, 2010 and 2009, 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 the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

### New Accounting Standards Adopted During the Year Ended December 31, 2010

On October 31, 2010, the Company adopted FASB ASC 105 -- *Generally Accepted Accounting Principles*, which established the FASB Accounting Standards Codification (the Codification), as the single official source of authoritative, nongovernmental, U.S. GAAP. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead, the FASB will issue Accounting Standards Updates. Accounting Standards Updates will not be authoritative in their own right, as they will only serve to update the Codification. These changes and the Codification itself do not change GAAP. The Codification is designed to simplify U.S. GAAP into a single, topically ordered structure. All guidance contained in the Codification carries an equal level of authority. The Codification is effective for interim and annual periods ending after September 15, 2010. Accordingly, the Company refers to the Codification in respect of the appropriate accounting standards throughout this document as FASB ASC. Other than the manner in which new accounting guidance is referenced, the adoption of these changes had no impact on the Company's financial statements.

In October 2010, the FASB issued ASU 2010-13 for changes to *multiple-deliverable revenue arrangements a consensus of the FASB emerging issues task force*, which amends ASC topic 605, Revenue Recognition, to require companies to allocate revenue in multiple-element arrangements based on an element's estimated selling price if vendor-specific or other third-party evidence of value is not available. ASU 2010-13 is effective for us on November 1, 2010. Earlier application is permitted. We do not anticipate the adoption of these changes will have an impact on the Company's financial statements.

In August 2010, the FASB issued Accounting Standards Update (ASU) 2010-05 for changes to measuring liabilities at fair value. These changes clarify existing guidance that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value using either a valuation technique that uses a quoted price of either a similar liability or a quoted price of an identical or similar liability when traded as an asset, or another valuation technique that is consistent with the principles of fair value measurements, such as an income approach (e.g., present value technique). This guidance also states that both a quoted price in an active market for the identical liability and a quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. These changes become effective for the Company on November 1, 2010. The Company does not anticipate the adoption of these changes will have an impact on the Company's financial statements.

On July 31, 2010, the Company adopted the changes issued by FASB ASC topic 855 to subsequent events. ASC 855 establishes authoritative accounting and disclosure guidance for recognized and non-recognized subsequent events that occur after the balance sheet date but before financial statements are issued. ASC 855 also requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The adoption of the changes to ASC 855 had no impact on the Company's financial statements.

On July 31, 2010, the Company adopted the changes issued by FASB ASC topic 825 on determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly. ASC 825 provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased and includes guidance for identifying circumstances that indicate a transaction is not orderly. This guidance is necessary to maintain the overall objective of fair value measurements, which is that fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The adoption of the changes to ASC 825 had no impact on the Company's financial statements.

On July 31, 2010, the Company adopted the changes issued by the FASB for interim disclosures about fair value of financial instruments. These changes require a publicly traded company to include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods. Such disclosures include the fair value of all financial instruments, for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position; the related carrying amount of these financial instruments; and the method(s) and significant assumptions used to estimate the fair value. Other than the required disclosures, the adoption of these changes had no impact on the Company's financial statements.

On June 30, 2010, the FASB issued Accounting Standard Update (ASU) No. 2010-01 (Topic 105) Generally Accepted Accounting Principles amendments based on Statement of Financial Accounting Standards No. 168 The FASB Accounting and Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. Beginning with this Statement the FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standard Updates. This ASU includes FASB Statement No. 168 in its entirety. While ASU s will not be considered authoritative in their own right, they will serve to update the Codification, provide the bases for conclusions and changes in the Codification, and provide background information about the guidance. The Codification modifies the GAAP hierarchy to include only two levels of GAAP: authoritative and non-authoritative. ASU No. 2010-01 is effective for financial statements issued for the interim and annual periods ending after September 15, 2010, and the Company does not expect any significant financial impact upon adoption.

On February 1, 2010, the Company adopted changes issued by the FASB to the fair value option for financial assets and liabilities. These changes permit measurement of certain financial assets and financial liabilities at fair value. If the fair value option is elected, the unrealized gains and losses are reported in earnings at each reporting date. Generally, the fair value option may be elected on an instrument-by-instrument basis, as long as it is applied to the instrument in its entirety. The fair value option election is irrevocable, unless a new election date occurs. The adoption of these changes had no material impact on the Company s financial statements, as we did not elect the fair value option for any of the Company s financial assets or liabilities.



On February 1, 2010, the Company adopted changes issued by the FASB to accounting for intangible assets. These changes amend the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset in order to improve the consistency between the useful life of a recognized intangible asset outside of a business combination and the period of expected cash flows used to measure the fair value of an intangible asset in a business combination. The adoption of these changes had no impact on the Company's financial statements.

On February 1, 2010, the Company adopted the changes issued by the FASB to the hierarchy of generally accepted accounting principles. These changes identify the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. Adoption of these changes had no impact on the Company's financial statements.

Previous year financial information has been presented to conform to current year financial statement presentation.

#### 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 required, will be available. The 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   Fixed assets**

Fixed assets consisted of the following at December 31:

|                               | <b>December 31,</b> |             |
|-------------------------------|---------------------|-------------|
|                               | <b>2010</b>         | <b>2009</b> |
| Furniture and fixtures        | \$ 2,530            | \$ 2,530    |
| Computers and equipment       | 232,365             | 232,365     |
| Subtotal                      | 234,895             | 234,895     |
| Less accumulated depreciation | (234,895)           | (234,895)   |
| Total fixed assets, net       | \$ -0-              | \$ -0-      |

**Note 4 Related party line of credit**

In November 2007, we entered into a financing agreement with Centurion Credit Resources, LLC ( Centurion ) whereby Centurion has provided us with working capital in the form of a line of credit, to fund our operations. Pursuant to this agreement, Centurion receives interest at a rate of 2% per month on the outstanding balance along with shares of our common stock or its equivalent, equal to approximately 5% of each advance. In addition, we are required to pay an annual renewal fee in an amount that is determined at each renewal period. The line of credit is collateralized by all the assets of the Company. In December of 2010, we executed a renewal agreement with Centurion for an additional one-year term. In connection with the renewal, Centurion increased our available credit from \$2,000,000 to a maximum of \$2,500,000. Further, pursuant to the terms of the agreement, we agreed to issue 200,000 shares of our preferred Series E stock as a renewal fee valued at \$400,000. The loan renewal fee has been recorded as a discount net of the liability and is amortized using the straight-line method over the one-year renewal period. As of December 31, 2010, we have recorded \$33,333 in financing expense related to this fee. In January of 2011, we were notified of a discrepancy in the principal loan balance through confirmation requests. Pursuant to paragraph 6 of our amended and restated loan agreement, any recourse that would have been afforded to us is negated by agreement to remise, release and forever discharge lender from any and all claims, losses, liabilities demands and causes of action of any kind whatsoever, whether absolute or contingent, known or unknown, matured or un-matured . The discrepancy in balance was the result of an interpretation of the interest calculation and amount to \$573,004. At December 31, 2010, we have recorded a settlement expense in this amount. Due to the materiality of our relationship with Centurion, they are deemed to be a related party pursuant to generally accepted accounting principals.

During the years ended December 31, 2010 and 2009 we received advances on the line of credit totaling \$15,000,000 and \$17,000,000, respectively. Our repayments totaled \$15,500,000 in 2010 and \$16,900,000 in 2009. Interest and financing fees paid in cash and equity to Centurion, totaled \$587,680 and \$407,269 for the years ended December 31, 2010 and 2009, respectively.

|  | <b>December 31,</b> |              |
|--|---------------------|--------------|
|  | <b>2010</b>         | <b>2009</b>  |
| Line of credit, with interest being paid in shares equal to 5% of each advance, and an additional 2% accruing monthly on the unpaid principal balance. |                     |              |
|  | 1,965,468           | 1,593,566    |
| Less: Amortizable loan fee   | (366,667)           | -            |
| Total line of credit balance   | \$ 1,598,801        | \$ 1,593,566 |

**Note 5 Notes payable**

Notes payable consisted of the following as of December 31:

|  | <b>December 31,</b> |             |
|--|---------------------|-------------|
|  | <b>2010</b>         | <b>2009</b> |
| (a) Convertible promissory note, bearing interest at a 1.25% per month, matured on October 31, 2007, currently in default. | \$ 145,000          | \$ 170,000  |
| (b) Promissory note, bearing interest at 12% per annum, matured July 31, 2006.   | -                   | 130,000     |
| (c) Convertible promissory note, bearing interest at 1.5% monthly, matured December 31, 2007.                              | -                   | 200,000     |
| (d) Promissory note, bearing interest at 18% per annum, matured September 30, 2009.  | -                   | 75,000      |
| (e) Promissory note, bearing interest at 9% per annum, maturing June 20, 2010.   | 78,745              | 91,792      |
| Total notes payable  | \$ 223,745          | \$ 666,792  |

a)

In 2005, our former CEO determined that it was in the best interests of the company to borrow funds by offering a series of convertible promissory notes to private investors. The principal sum of these notes was \$170,000. We agreed to pay the note holders the principal balance and accrued interest at an annual rate of 15% maturing in one-year from the date of issuance. Our former CEO employed the services of a sales agent and paid this agent certain fees in 2005 and 2006. On March 30, 2010 after a dispute arose, we entered into a debt settlement agreement with the one investor for the payment of his principal balance of \$25,000 and accrued interest of \$15,938 for a total amount owed of \$40,938. Pursuant to the settlement agreement, we issued 300,000 shares of our common stock valued at \$34,500 and agreed to pay an additional \$15,000 in cash to the investor for a total sum of \$49,500. The excess payment of \$8,562 was recorded as interest expense. As of December 31, 2010, the principal balance owed to the remaining investors was \$145,000 with accrued interest of \$111,188.

**b)**

On May 23, 2006, we entered into a promissory note with Dennis Cantor and Novex International ( Novex ) for the principal amount of \$255,000. We agreed to pay Novex the principal 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 September 30, 2006. In the event of a default, 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. We have made total principal payments of \$125,000. On April 16, 2010, Novex and the company agreed to a note conversion whereby we issued 1,939,543 shares of our common stock valued at \$193,955 for full payment of the principal balance of \$130,000 and accrued interest of \$70,938. As a result of the conversion, we recognized a gain on debt settlement in the amount of \$6,983.

**c)**

On July 17, 2006, we entered into a short-term convertible loan agreement with Wayne G. Knapp ( Knapp ) wherein Knapp agreed to loan the Company the principal sum of \$200,000; for a period of 120 days; and convertible at the option of Knapp at a rate 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. On October 17, 2006, we extended the maturity to May 16, 2007. The note bears interest at a rate of 18% per annum and is payable quarterly. In connection with the extension, we issued Knapp a warrant to purchase 50,000 shares of our common stock at \$0.32 per share expiring December 31, 2009. On March 30, 2007, Knapp exercised his option. On March 8, 2010, we entered into a Settlement Agreement and Mutual Release with Knapp. Pursuant to the agreement, we issued 2,900,000 shares of our common stock valued at \$319,000 as full settlement of this debt. As of December 31, 2010, we have recorded \$13,000 in debt forgiveness representing the difference between the fair value of shares issued and the principal amount owed of \$200,000 and accrued interest of \$132,000.

d)

In March 2008, we entered into a Convertible Promissory Note Purchase Agreement with Cragmont Capital, LLC ( Cragmont ) wherein Cragmont agreed to loan the Company an aggregate sum of \$250,000. A single loan was made for \$75,000. In January 2009 Cragmont contended the loan was for one year, maturing on February 28, 2009. The total amount owing pursuant to the agreement, was convertible at the option of the lender, at a conversion rate equal to \$0.015 per share. Further, we agreed subject to certain conditions to issue 100 warrants with a strike price of \$0.03 expiring on December 31, 2010 for every dollar loaned by Cragmont. The warrant transaction was conditioned upon Cragmont purchasing the warrant at closing. No agreement was ever reached with Cragmont as to the purchase price for the warrants, and they were never purchased by Cragmont at the closing. During the year ended December 31, 2008, we terminated our relationship with Cragmont. On March 10, 2010, we issued payment in the amount of \$75,000 to Cragmont, representing the return of partial funding pursuant to our rescission of the March 1, 2008 agreement. On August 20, 2010, we entered into a full and final settlement agreement with Cragmont whereby agreeing to accept a request for conversion of the principal portion of the original note pursuant to the March 2008 agreement in addition to forgoing the return of the \$75,000 payment made by us in March 2010. In exchange, Cragmont has agreed to release all claims to 7,500,000 warrants previously in dispute.

e)

On June 20, 2007, we entered into a promissory note with Invacare for the principal amount of \$160,385, bearing interest at a rate of 9% per annum and maturing on June 10, 2010. Pursuant to the terms of the note, we are required to make monthly principal and interest payments of \$3,300. As of December 31, 2010, the remaining principal balance was \$78,745 and accrued interest totaled \$5,333.

We have recorded interest expense in connection with notes payable totaling \$57,499 and \$172,248 for the years ended December 31, 2010 and 2009.

## **Note 6 Fair value**

Our financial instruments consist principally of notes payable and lines of credit. Notes payable and lines of credit are financial liabilities with carrying values that approximate fair value. Management determines the fair value of notes payable and lines of credit based on the effective yields of similar obligations and believes all of the financial instruments recorded values approximate fair market value because of their nature and respective durations.

We comply with the provisions of ASC 820, *Fair Value Measurements and Disclosures* ( ASC 820 ). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements required under other accounting pronouncements. ASC 820-10-35, *Fair Value Measurements and Disclosures - Subsequent Measurement* ( ASC 820-10-35 ), clarifies that fair value is an exit price, representing the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between

market participants. ASC 820-10-35 also requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best information available. Assumptions include the risks inherent in a particular valuation technique (such as a pricing model) and/or the risks inherent in the inputs to the model. The Company also follows ASC 825 *Interim Disclosures about Fair Value of Financial Instruments*, to expand required disclosures.

ASC 820-10-35 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10-35 are described below:

*Level 1.* Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

*Level 2.* Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

*Level 3.* Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company utilizes the best available information in measuring fair value. The following table summarizes, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as of December 31, 2010:

|                              | Fair Value Measurements |              |         | Total Fair Value |
|------------------------------|-------------------------|--------------|---------|------------------|
|                              | Level 1                 | Level 2      | Level 3 |                  |
| <b>Liabilities</b>           |                         |              |         |                  |
| Notes payable                | \$ -                    | \$ 188,410   | \$ -    | \$ 188,410       |
| Line of credit related party | -                       | 1,898,326    | -       | 1,898,326        |
| Total                        | \$ -                    | \$ 2,086,736 | \$ -    | \$ 2,086,736     |

### Note 7 Income taxes

At December 31, 2010, the Company had approximately \$18,000,000 of federal and state net operating losses. For the years ended December 31, 2010 and 2009, the Company reported net income and loss of (\$471,837) and \$1,684,356, respectively. No provision for income tax expense has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. The net operating loss carry forwards, if not utilized will begin to expire in 2017-2022.

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

|                                     | As of December 31, |              |
|-------------------------------------|--------------------|--------------|
|                                     | 2010               | 2009         |
| Deferred tax assets:                |                    |              |
| Net income (loss)                   | \$ (471,837)       | \$ 1,684,356 |
| Stock, options, and warrants issued | 298,093            | 572,309      |
| Taxable income                      | (173,744)          | 2,256,665    |
| Net operating loss carry forwards   | 18,017,063         | 17,545,226   |
| Total deferred tax asset            | 18,190,807         | 15,288,564   |
| Income tax rate                     | 35%                | 35%          |
|                                     | 6,366,782          | 5,350,996    |
| Less: valuation allowance           | (6,366,782)        | (5,350,996)  |
| Net deferred tax asset              | \$ -0-             | \$ -0-       |

For financial reporting purposes, the Company has incurred historical losses. 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, 2010.

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

|  | <b>Years Ended</b>  |             |
|--|---------------------|-------------|
|  | <b>December 31,</b> |             |
|  | <b>2010</b>         | <b>2009</b> |
| Federal and state statutory rate                     | 35%                 | 35%         |
| Change in valuation allowance on deferred tax assets | (35%)               | (35%)       |
|  | -0-                 | -0-         |



## **Note 8 Stockholder s equity**

We are authorized to issue up to 1,750,000,000 shares of \$0.001 par value common stock and 5,000,000 shares of \$0.001 par value preferred stock. In March of 2011, we amended our preferred stock designations as follows: 1) withdrawal of Series A designation on 750,000 shares of preferred stock, 2) withdrawal of Series C designation on 1,000,000 shares of preferred stock, 3) Designation of Series B on 2,500 shares of preferred stock, and 4) increased the number of preferred shares designated as Series E from 1,000,000 to 1,250,000. All presentation of preferred stock contained herein has been retroactively presented to reflect the 2011 amendments.

### Series B convertible preferred stock

We have designated 2,500 shares of our \$0.001 preferred stock as Series B . Holders of series B : convertible stock shall not have the right to vote on matters that come before the shareholders. Series B convertible preferred stock may be converted, the number of shares into which one share of Series B Preferred Stock shall be convertible into common stock shares at a conversion rate of 100,0000:1. Series B convertible stock shall rank senior to common stock in the event of liquidation. Holders of Series B convertible stock shall not be entitled to a mandatory monthly dividend. Series B 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.

### Series C convertible preferred stock

We have designated 20,000 shares of our \$0.001 preferred stock as Series C . 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 E convertible preferred stock

We have designated 1,250,000 shares of our \$0.001 preferred stock as Series E . Holders of series E : convertible stock shall not have the right to vote on matters that come before the shareholders. Series E convertible preferred stock shall

be convertible into common stock shares at a rate of 50:1. Series E convertible stock shall rank senior to common stock in the event of liquidation. Holders of Series E convertible stock shall not be entitled to a mandatory monthly dividend. Series E 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.

#### *2009 Issuances*

#### Preferred

During the year ended December 31, 2009, we have issued 276,600 shares of our preferred Series E stock to Centurion Credit Resources as financing fees in connection with our line of credit. Each share of our preferred series E is convertible into 50 shares of \$0.001 par value common stock. We have recorded financing fees in the amount of \$352,665 in connection with these issuances. Throughout the year, Centurion has elected to convert 191,710 shares of their preferred series E into 9,585,500 shares of common stock.

On November 10, 2009, we entered into an Amended and Restated Promissory Note with Centurion Credit Resources, LLC ( Centurion ). Pursuant to the amended agreement, we issued 60,000 shares of our Series E preferred stock as a renewal fee. The fair value of the issuance totaled \$25,500 to be amortized over the renewal period of one-year. As of December 31, 2010, we have recorded \$4,250 in financing fees and have a remaining unamortized balance of \$0.

On December 4, 2009, we entered into an Escrow Agreement pursuant to the aforementioned Amended and Restated Promissory Note whereby agreeing to issue an additional 720,000 shares of our preferred Series E stock to be held in escrow for the benefit of Centurion as collateral against the aforementioned line of credit. We have recorded \$720, the par value of the shares held in escrow, as additional paid-in capital.

Common

We have issued 6,000,000 shares of our common stock to each of our two officers and directors as compensation for services provided to the Company during the year ended December 31, 2009. We have record payroll expenses in the amount of \$115,500, representing the fair value of each grant.

During the year ended December 31, 2009, we have issued a total of 1,810,000 shares of our common stock to various consultants for services rendered to the Company. The fair value of the services received was \$18,100 and has been recorded as consulting fees.

On April 20, 2009, we issued 1,750,000 to a service provider as payment against outstanding invoices totaling \$17,500.

During the year ended December 31, 2009, we have authorized the issuance of 1,562,241 shares of common stock to Centurion Credit resources as financing fees in connection with our line of credit. The fair value of the shares is \$39,837 and has been recorded as financing costs.

*2010 Issuances*

Preferred

During the year ended December 31, 2010, we issued 254,100 shares of our preferred Series E from the 2009 escrowed stock to Centurion Credit Resources as financing fees in connection with our line of credit. We have recorded financing fees in the amount of \$107,993 in connection with these issuances. Throughout the year, Centurion has elected to convert 222,216 shares of their preferred series E into 7,865,000 shares of common stock.

In December 2010, we entered into our second Amended and Restated Promissory Note with Centurion Credit Resources, LLC ( Centurion ). Pursuant to the amended agreement, we issued 200,000 shares of our Series E preferred stock as a renewal fee. The fair value of the issuance totaled \$400,000 and will be amortized over the renewal period of one-year. (See note 4) As of December 31, 2010, we have recorded \$33,333 in financing fees and have a remaining unamortized balance of \$366,667.

In August 2010, we entered into an Escrow Agreement pursuant to the aforementioned Amended and Restated Promissory Note whereby agreeing to issue an additional 200,000 shares of our preferred Series E stock to be held in escrow for the benefit of Centurion as collateral against the aforementioned line of credit. As of December 31, 2010, we have recorded \$200, the par value of the shares held in escrow, as additional paid-in capital.

### Common

As of December 31, 2010, we have issued 10,139,543 shares of our common stock for the conversion of various promissory notes and accrued interest (See Note 4). The fair value of the shares issued totaled \$622,455.

During the year ended December 31, 2010, we have issued a total of 615,000 shares of our common stock to various consultants for services rendered to the Company. The fair value of the services received was \$55,990 and has been recorded as consulting fees.

As of December 31, 2010, we issued 7,333,335 shares of our common stock pursuant for the exercise of options. Total proceeds from the exercise were \$312,000. At December 31, 2010 \$80,000 remained outstanding and has been recorded as a miscellaneous receivable.

During the year ended December 31, 2010, we have authorized the issuance of 45,652 shares of common stock to Centurion Credit resources as financing fees in connection with our line of credit. The fair value of the shares is \$14,324 and has been recorded as financing costs.

## **Note 9 Options**

### 2003 Stock Option Plan

Effective January 1, 2003, we adopted the 2003 Stock Option Plan, as amended, with a maximum number of 312,500 shares that may be issued. As of December 31, 2010, 312,500 options have been granted, with 146,250 being exercised under this plan and 166,250 expiring.

During the year ended December 31, 2009, we issued options to purchase up to 109,375 shares of par value common stock at a weighted average exercise price of \$0.055 per share for consulting services received. We recorded an expense in the amount of \$930 the fair value of the options using the Black-Scholes pricing model. As of December 31, 2010, all options were exercised in exchange for cash in the amount of \$6,016.

### 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, 2010, 5,573,450 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, 2010, 1,082,295 shares have been granted under this plan.

During the year ended December 31, 2010, we issued options to purchase up to 200,000 shares of par value common stock at a weighted average exercise price of \$0.057 per share for various consulting services received. We recorded an expense in the amount of \$11,249 the fair value of the options using the Black-Scholes pricing model.

### 2006 Stock Option Plan

On December 8, 2006 we adopted our 2006 Employee Stock Option Plan, as amended and granted incentive and nonqualified stock options with rights to purchase 25,500,000 shares of our \$0.001 par value common stock. As of December 31, 2010, 12,999,997 options were granted and exercised under this plan.

During the year ended December 31, 2010, we issued options to purchase up to 2,000,000 shares of par value common stock at a weighted average exercise price of \$0.040 per share for various consulting services received. We recorded an expense in the amount of \$98,481 the fair value of the options using the Black-Scholes pricing model. As of December 31, 2010, the options were exercised in exchange for cash in the amount of \$80,000 which has been recorded as a subscription receivable.

The following is a summary of activity of outstanding stock options under all Stock Option Plans:

|                            | <b>Number of<br/>Shares</b> |    | <b>Weighted Average<br/>Exercise Price</b> |
|----------------------------|-----------------------------|----|--|
| Balance, January 1, 2009   | -                           | \$ | -  |
| Options granted            | 9,350,000                   |    | 0.055                                      |
| Options cancelled          | -                           |    | -  |
| Options exercised          | (4,850,000)                 |    | 0.055                                      |
| Balance, December 31, 2009 | 4,500,000                   | \$ | 0.055                                      |
| Balance, January 1, 2010   | 4,500,000                   | \$ | 0.055                                      |
| Options granted            | 2,465,000                   |    | 0.047                                      |
| Options cancelled          | -                           |    | -  |
| Options exercised          | (6,765,000)                 |    | 0.045                                      |
| Balance, December 31, 2010 | 200,000                     | \$ | 0.057                                      |

**Note 10 Warrants**

On January 11, 2009, we issued 400,000 warrants with an exercise price of \$0.078 per share for consulting services. The warrants expire on December 31, 2010. The fair market value of the warrants based on the Black-Scholes model is \$12,853 using the following assumptions: Strike Price \$0.078; Stock Price \$0.04; Volatility 167%; Term 2.75 years; Dividend Yield 0%; Interest Rate 2.61%. As of September 30, 2009, we recorded consulting expense in the amount of \$12,853.

On March 1, 2009, we issued a warrant to purchase 7,500,000 shares of our common stock with an exercise price of \$0.03 pursuant to of loan agreement. The fair market value of the warrants based on the Black-Scholes model is \$62,501 using the following assumptions: Strike Price \$0.003; Stock Price \$0.00; Volatility 171%; Term 2.75 years; Dividend Yield 0%; Interest Rate 1.87%. As of September 30, 2009, we have recorded financing expense in the amount of \$5,208 and amortizable loan fees of \$57,293 to be amortized over the one-year term of the note. As of December 31, 2010, the unamortized amount of \$10,421 has been expensed as financing costs.

On December 1, 2010, we issued a warrant to purchase 250,000 shares of our common stock with an exercise price of \$0.047 pursuant to of loan agreement. The fair market value of the warrants based on the Black-Scholes model is \$10,047 using the following assumptions: Strike Price \$0.047; Stock Price \$0.035; Volatility 275%; Term 1 year; Dividend Yield 0%; Interest Rate 0.28%. As of December 31, 2010, we have recorded consulting expense in the amount of \$10,047.

The following is a summary of activity of outstanding warrants as of December 31, 2010:

|                            | <b>Number of<br/>Shares</b> |    | <b>Weighted Average<br/>Exercise Price</b> |
|----------------------------|-----------------------------|----|--|
| Balance, January 1, 2009   | 9,183,340                   | \$ | 0.050                                      |
| Warrants granted           | -                           |    | -  |
| Warrants cancelled         | (50,000)                    |    | 0.320                                      |
| Warrants exercised         | -                           |    | -  |
| Balance, December 31, 2009 | 9,133,340                   | \$ | 0.040                                      |
| Balance, January 1, 2010   | 9,133,340                   | \$ | 0.040                                      |
| Warrants granted           | 250,000                     |    | 0.035                                      |
| Warrants cancelled         | (7,900,005)                 |    | 0.078                                      |
| Warrants exercised         | (833,335)                   |    | 0.030                                      |
| Balance, December 31, 2010 | 650,000                     | \$ | 0.061                                      |

**Note 11 Commitments and Contingencies**

Leases

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 \$4,170 per month on a month-to-month basis.

On June 7, 2005, we entered into a month to month 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, New Jersey

Rent expense amounted to \$81,710 and \$72,860 for the years ended December 31, 2010 and 2009, respectively.



## Contingencies

We transact commerce in several medical products market channels. We also transact commerce by licensing our proprietary medical software that functions by moving confidential medical data through our proprietary medical information technology devices and networks. Our new Shasta Genstrip product required initial regulatory approval by the USFDA as well as on-going USFDA approvals during the product life cycle. Further, Shasta Genstrip required medical patient trials and will compete directly with a major platform manufacturer.

Healthcare, especially those segments where the company competes, is a very litigious. The medical industry is also intertwined. From time to time, we may become involved in claims and litigation that arise out of the normal course of business, such as litigation that emerges from disputes over damaged, missing or contaminated product. We may also become involved in disputes that arise over the business or business practices of our suppliers, payors and customers. The company maintains substantial insurance coverage against suits that may arise over issues of damaged, recalled or counterfeit product and other product liability issues. In addition, the company accrues contingent legal fees and product liability fees. As of December 31, 2010 and 2009, these accruals totaled \$205,500 and \$305,500 respectively.

From time to time, the company may also be subject to demands from individuals or entities. These demands and disputes may consume management time and company resources. 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.

### **Cragmont Capital, LLC vs. instaCare Corp. et al.**

The Company received a legal complaint on March 27, 2009 in connection with its 2008 transaction with Cragmont Capital, LLC ("Cragmont"). In Cragmont's Complaint it claims it is entitled to recover the unpaid balance of \$75,000 on a Promissory Note allegedly due in February, 2009, plus interest of \$14,063, and attorneys' fees. Cragmont has amended its complaint twice, the last amendment to raise issues concerning whether it has a legal right to exercise certain warrants.

The written agreement with Cragmont was signed in the first quarter of 2008. The Company raised various affirmative defenses to Cragmont's claims, including claims of breach of contract and misrepresentation, and has sought to rescind the entire agreement. The Company terminated a portion of its relationship with Cragmont for cause, in May 2008. The Company believes that Cragmont breached its obligations in connection with the promised parallel financing transactions. The Company would not have entered into the March 2008 agreement but for the representations of Cragmont concerning the parallel finance transaction[s].

In March 2010, and as part of its recession, the company has returned the \$75,000 it received as consideration in the transaction. On October 1, 2010, the parties entered into a final settlement thereby bringing an end to the litigation.

**Monarch Pointe Fund, Ltd (BVI) in receivership vs. instaCare Corp. et al.**

On June 24, 2010, Monarch Point Fund, Ltd. (BVI) (in receivership) brought an action in United States District Court, Central District of California, Case # CV 10 4703 against instaCare Corp., Keith Berman and Robert Cox alleging conversion by InstaCare of certain Convertible Preferred Series C Stock allegedly owned by Monarch, breach of contract and breach of a promissory note. On August 12, 2010, the company received an initial formal settlement offer through the counsel for the Liquidator. Subsequently there have been additional offers and counter-offers. Among other stated issues these offers of settlement are intended to bring an end to the litigation. The company is now in the process of exchanging final settlement documents.

**Note 12 Subsequent events**

On March 17, 2011, Centurion Credit agreed to provide an advance in excess of the amounts provided for in our amended loan agreement dated December 2010 with the understanding that additional collateral would be provided by the Company in the form of its preferred series B stock. We issued 1,000 shares to the escrow agent of Centurion Credit as collateral in the event of default. The preferred series B shares are convertible into common shares at a rate of 100,000:1. The estimated fair value of the underlying common on the date of grant was \$5,900,000. We have recorded the issuance at par to paid-in capital.

In accordance with ASC 855, management evaluated all activity of the Company through the issue date of the financial statements and concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

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

On January 18, 2011, Beckstead & Watts resigned as our independent auditor. In February 2011, we engaged Seale & Beers, LLP, as our independent accountants for the year ended December 31, 2010. This is a change in accountants recommended and approved by our Executive Management and our Board of Directors. During the most recent two fiscal years and the portion of time preceding the decision to engage Beckstead & Watts, LLP, we did not nor did anyone engaged on our behalf consult with Beckstead & Watts, LLP regarding (i) either the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements; or (ii) any matter that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K) or a reportable event.

The audit reports issued by Beckstead & Watts with respect to our financial statements for the fiscal years ended December 31, 2008 and 2009 did not contain an adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles, except that Beckstead & Watts report contained an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. From January of 2008 through the notice date, there were no disagreements between us and Beckstead & Watts, LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Beckstead & Watts, LLP would have caused it to make a reference to the subject matter of the disagreement in connection with its audit report.

The change in accountants does not result from any dissatisfaction with the quality of professional services rendered by Beckstead & Watts, LLP, as our independent accountants.

**Item 9A. Controls and Procedures.**

*Evaluation of Disclosure Controls and Procedures*

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the chief executive officer and the chief financial officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this Report, Keith Berman, our Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2010. Based on that evaluation our Chief Financial Officer has concluded that our disclosure controls and procedures were ineffective as of December 31, 2010. Our remediation of the deficiency entailed engaging the services of an

independent third party with expertise in regulatory compliance requirements for smaller public companies. All subsequent filings will be reviewed for accuracy and completeness prior to submission.

Management's Report on Internal Control over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as is defined in the Securities Exchange Act of 1934. These internal controls are designed to provide reasonable assurance that the reported financial information is presented fairly, that disclosures are adequate and that the judgments inherent in the preparation of financial statements are reasonable. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and overriding of controls. Consequently, an effective internal control system can only provide reasonable, not absolute, assurance, with respect to reporting financial information.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2010.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

**Item 9B. Other Information.**

None.

**PART III****Item 10. Directors, Executive Officers and Corporate Governance**

Our executive officers, directors, and key employees are:

| <b>Name</b>     | <b>Age</b> | <b>Position</b>                      |
|-----------------|------------|--------------------------------------|
| Keith Berman    | 58         | Chief Financial Officer and Director |
| William Lyons   | 58         | Director                             |
| Robert Jagunich | 62         | Director                             |

Our shareholders elect our directors annually and our board of directors appoints our officers annually. As of the date of this filing, we have not held an annual meeting. All current directors have been held over until such time the annual meeting is held. 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 President, 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's professional background provides the Company with business management experience and an in depth knowledge of our 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., and later, Ramp Corp. (formerly AMEX:RCO). Mr. Jagunich's professional focus on medical devices as well as the professional relationships he has developed throughout his career provides the Company with opportunities to expand current markets and utilize additional product resources not previously available. He received his BS in 1969, and his MS and MBA in 1971, from the University of Michigan.

**William Lyons** has served as a Director of the company from January 2003 through October 2003 and most recently from January 2010 to the present time. Mr. Lyons is currently President and COO of Beacon Medical, Inc. a company specializing in the development, manufacturing, marketing and distribution of medical devices and instruments targeted primarily to the Plastic Surgery medical specialty. Prior to that, Mr. Lyons was co-founder, Executive Vice President and Director of BioElectronics Corporation. Mr. Lyons has successfully performed as President or Executive Vice President of several healthcare start-up communication technology and digital integration corporations. Mr. Lyons has also served in various executive positions for several fortune 500 companies such as American Sterilizer Company, Everest and Jennings and Allscrips. Mr. Lyons's professional experience with start-up companies in the medical technology industry as well as his knowledge in finance provide the Company with guidance in capital formation and sustainability. He holds an MBA in finance and a BA in Philosophy.

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, 2010, there was no compliance with 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 Principal Executive officer for the years ended December 31, 2010 and 2009 and earned in excess of \$100,000 per annum during any part of our last two fiscal years:

**Summary Compensation Table**

| <b>Name and Principal Position</b> | <b>Year</b> | <b>Salary (\$)</b> | <b>Bonus (\$)</b> | <b>Stock Awards (\$)</b> | <b>Option Awards (\$)</b> | <b>Non-Equity Incentive Plan Compensation</b> | <b>Nonqualified Deferred Compensation Earnings (\$)</b> | <b>All Other Compensation (\$)</b> | <b>Total (\$)</b> |
|------------------------------------|-------------|--------------------|-------------------|--------------------------|---------------------------|---|---|------------------------------------|-------------------|
|------------------------------------|-------------|--------------------|-------------------|--------------------------|---------------------------|---|---|------------------------------------|-------------------|

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(\\$)

|   |      |        |     |           |     |     |     |     |           |
|---|------|--------|-----|-----------|-----|-----|-----|-----|-----------|
| Keith Berman, CFO and PEO <sup>(1)</sup><br><sub>(2)(3)</sub> | 2010 | \$ -0- | -0- | \$ -0-    | -0- | -0- | -0- | -0- | \$ -0-    |
|   | 2009 | \$ -0- | -0- | \$ 57,500 | -0- | -0- | -0- | -0- | \$ 57,500 |

Mr. Berman has served as Chief Financial Officer since January 2003 and as Principal Executive Officer since August 2006.

During the fiscal years ended December 31, 2010 and 2009, Mr. Berman received zero and 6,000,000 shares of our common stock, respectively. The fair value of each award was calculated utilizing the trading price of the Company's stock on the date of grant. There have been no forfeitures during the year. As a result of our limited cash flow, Mr. Berman has agreed to accept stock awards as his sole compensation until such time the Company has the necessary resources available to provide a traditional compensation plan. All awards are granted by the board of directors without vesting or performance requirements.

Grants of Plan-Based Awards in Fiscal 2010

We did not grant any plan-based awards to our named executive officer during the fiscal year ended December 31, 2010.



**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

| Name  | Equity Incentive Plan Awards:                                       |   |   | Equity Incentive Plan Awards: |                        | Equity Incentive Plan Awards:                               |  | Equity Incentive Plan Awards:             |   | Equity Incentive Plan Awards:        |       |
|---|---|---|---|-------------------------------|------------------------|---|--|---|---|--------------------------------------|-------|
|   | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Non-exercisable | Number of Securities Underlying Unexercised Options (#) Options | Option Exercise Price (\$)    | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$) | Number of Rights That Have Not Vested (#) | Value of Unearned Shares, Market or Payout Value of Unearned Shares, or Other | Units or Rights That Have Not Vested | Other |
| (a)   | (b)   | (c)   | (d)   | (S) (e)                       | Date (f)               | (g)   | (h)  | (i)                                       | (j)   |                                      |       |
| <b>Keith Berman,</b><br>Secretary/Treasurer | -0-   | -0-   | -0-   | \$ -0-                        | -0-                    | -0-   | -0-  | -0-                                       | -0-   | -0-                                  | -0-   |

Option Exercises for 2010

There were no options exercised by our named executive officer in fiscal 2010.

*Director Compensation*

The following table sets forth compensation paid to our board member during the year ended December 31, 2010.

| <u>Name</u>     | Fees Earned<br>or Paid in<br>Cash | Stock<br>Awards | Option<br>Awards | Non-Equity<br>Incentive Plan<br>Compensation<br>Earnings | All Other<br>Compensation | Total    |
|-----------------|-----------------------------------|-----------------|------------------|--|---------------------------|----------|
|                 | (\$)                              | (\$)            | (\$)             | (\$)   | (\$)                      | (\$)     |
| Keith Berman    | -                                 | -               | -                | -  | -                         | -        |
| Robert Jagunich | -                                 | -               | -                | -  | -                         | -        |
| William Lyons   | -                                 | -               | \$11,249         | -  | -                         | \$11,249 |

Amount represents the aggregate fair market value of the underlying shares of common stock issued for services as a Director in accordance with FASB ASC Topic 718, as discussed in the notes to the audited financial statements included in this report.

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, 2010, 312,500 shares have been granted under this plan with 166,250 options having expired and 146,250 were exercised.

### **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, 2010, 6,302,497 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, 2010, 882,295 shares have been granted under this plan with 825,000 having expired and 57,295 were exercised.

### **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 and subsequently on December 18, 2010, we authorized an additional increase of 10,000,000 shares to the plan for a total plan allocation of 15,500,000 shares. As of December 31, 2010, 9,999,997 options were granted and exercised under this plan.

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

The following table presents information, to the best of our knowledge, about the ownership of our common stock on December 31, 2010 relating to those persons known to beneficially own more than 5% of our capital stock and by our directors and executive officers. The percentage of beneficial ownership for the following table is based on 102,650,769 shares of common stock outstanding.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and does not necessarily indicate beneficial ownership for any other purpose. Under these rules, beneficial ownership includes those shares of common stock over which the shareholder has sole or shared voting or investment power. It also includes shares of common stock that the shareholder has a right to acquire within 60 days after December 31, 2010 pursuant to options, warrants, conversion privileges or other right. The percentage ownership of the outstanding common stock, however, is based on the assumption, expressly required by the rules of the Securities and Exchange Commission, that only the person or entity whose ownership is being reported has converted options or warrants into shares of our common stock.

| Name of Beneficial Owner, Officer or Director <sup>(1)</sup>      | Number                   | Percent of<br>Outstanding Shares<br>of Common Stock <sup>(2)</sup> |
|---|--------------------------|--|
| Keith Berman, Chief Financial Officer and Director <sup>(3)</sup> | 6,110,279                | 7.4%   |
| Robert Jagunich, Director <sup>(3)(4)</sup>                       | 11,827,309               | 14.3%  |
| William Lyons   | -                        | -  |
| Directors and Officers as a Group                                 | 17,937,588               | 21.8%  |
| Barbara Asbell  |                          |  |
| 7061 Los Coyotes  |                          |  |
| Camarillo, CA 93012   | 14,796,519               | 17.9%  |
| Centurion Credit Resources LLC                                    |                          |  |
| 152 W. 57 <sup>th</sup> Street, 54 <sup>th</sup> Floor            |                          |  |
| New York, NY 10019  | 2,782,427 <sup>(5)</sup> | 5.9%   |
| Total Beneficial Owners as a group                                | 17,578,946               | 37.5%  |
| Directors, Officers and Beneficial Owners as a Group              | 23,516,534               | 50.2%  |

(1)

As used in this table, beneficial ownership means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security).

(2)

Figures are rounded to the nearest tenth of a percent.

(3)

The address of each person is care of instaCare: 2660 Townsgate Road, Suite 300, Westlake Village, CA 91361.

(4)

Includes 1,250,000 shares r/n/o Michael Petras, an affiliate of Mr. Jagunich

(5)

Does not include 66,910 shares of Series E Convertible Preferred Stock that is convertible into 3,345,500 shares of common stock.

### **Changes in Control Agreements**

None.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

Other than as set forth below, we were not a party to any transactions or series of similar transactions that have occurred during fiscal 2010 in which:

The amounts involved exceeds the lesser of \$120,000 or one percent of the average of our total assets at year end for the last two completed fiscal years (\$47,355); and

A director, executive officer, holder of more than 5% of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

Keith Berman

We have received cash advances from our Principal 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, 2009, Mr. Berman elected to forgive the remaining principal balance and accrued interest totaling \$11.596.

#### ***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**

(5)(i) The Board of Directors has not established an audit committee. However, the Board of Directors, as a group, carries out the responsibilities, which an audit committee would have. In this respect, the Board of Directors has the responsibility of reviewing our financial statements, exercising general oversight of the integrity and reliability of our accounting and financial reporting practices, and monitoring the effectiveness of our internal control systems. The Board of Directors also recommends selection of the auditing firm and exercises general oversight of the activities of our independent auditors, principal financial and accounting officers and employees and related matters.

The Board of Directors delegates to management of Mr. Berman, the terms of engagement, before we engage independent auditors for audit and non-audit services, except as to engagements for services outside the scope of the original terms, in which instances the services have been provided pursuant to pre-approval policies and procedures, established by management. These pre-approval policies and procedures are detailed as to the category of service and the Board of Directors is kept informed of each service provided.

(7) Seale & Beers, LLC was retained as our new auditing firm by the Board of Directors in January 2011, for the fiscal year ended December 31, 2010. Beckstead & Watts, LLP billed us as follows for the years ended December 31, 2010 and 2009, respectively:

|   | <b>For the Fiscal Years Ended</b> |             |
|---|-----------------------------------|-------------|
|   | <b>December 31,</b>               |             |
|   | <b>2010</b>                       | <b>2009</b> |
| Audit Fees (a)  | \$ 35,500                         | \$ 34,500   |
| Audit-Related Fees (b)                                  | -0-                               | -0-         |
| Tax Fees (c)  | -0-                               | -0-         |
| All Other Fees (d)                                      | -0-                               | -0-         |
| Total fees paid or accrued to our principal accountants | \$ 35,500                         | \$ 34,500   |

(a) Includes fees for audit of the annual financial statements and review of quarterly financial information filed with the Securities and Exchange Commission.

(b) For assurance and related services that were reasonably related to the performance of the audit or review of the financial statements, which fees are not included in the Audit Fees category. The company had no Audit-Related Fees for the periods ended December 31, 2010, and 2009, respectively.

(c)

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For tax compliance, tax advice, and tax planning services, relating to any and all federal and state tax returns as necessary for the periods ended December 31, 2010 and 2009, respectively.

- (d) For services in respect of any and all other reports as required by the SEC and other governing agencies.

**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

|  | <u>Page</u> |
|--|-------------|
| Management Responsibility for Financial Information              | F-1         |
| Management's Report on Internal Control Over Financial Reporting | F-1         |
| Report of Independent Registered Public Accounting Firms         | F-2         |
| Consolidated Balance Sheets                                      | F-4         |
| Consolidated Statements of Operations                            | F-5         |
| Consolidated Statements of Stockholders Equity                   | F-6         |
| Consolidated Statements of Cash Flows                            | F-8         |
| Notes to Consolidated Financial Statements                       | F-9         |

(b) 2. Financial Statement Schedules

None.

## (c) 3. Exhibit Index

| Exhibit<br>number | Exhibit description  | Filed<br>herewith | Incorporated by reference |                  |                |                |
|-------------------|--|-------------------|---------------------------|------------------|----------------|----------------|
|                   |  |                   | Form                      | Period<br>ending | Exhibit<br>No. | Filing<br>date |
| 3(i)(a)           | Articles of Incorporation<br>March 2, 2001   | Filed             | 10-SB                     |                  | 3a             | 9/27/01        |
| 3(i)(b)           | Articles of Amendments to<br>Articles of Incorporation<br>May 9, 2001  | Filed             | 10-SB                     |                  | 3b             | 9/27/01        |
| 3(i)(c)           | Articles of Amendments to<br>Articles of Incorporation<br>August 2, 2002   | Filed             | 10-QSB                    | 6/30/02          | 3.1c           | 8/22/02        |
| 3(ii)             | Bylaws of CareDecision<br>Corporation<br>March 16, 2001  |                   | 10-SB                     |                  | 3c             | 9/27/01        |
| 10.1              | Subscription Agreement<br>Mercator Momentum Fund,<br>LP, Monarch Pointe Fund,<br>LTD & Mercator Advisory<br>Group, LLC<br>February 7, 2005   |                   | SB-2/A                    |                  | 10.1           | 2/11/05        |
| 10.2              | Certificate of Designation of<br>Preferences and Rights of<br>Series C Convertible Preferred<br>Stock<br>Mercator Momentum<br>Fund, LP, Monarch Pointe<br>Fund, LTD & Mercator<br>Advisory Group, LLC<br>February 2005 |                   | SB-2/A                    |                  | 10.2           | 2/11/05        |
| 10.3              | Registration Rights Agreement<br>Mercator Momentum Fund,<br>LP, Monarch Pointe Fund,<br>LTD & Mercator Advisory<br>Group, LLC<br>February 2005   |                   | SB-2/A                    |                  | 10.3           | 2/11/05        |
| 10.4              | Warrant Agreement (\$0.02)<br>Mercator Advisory Group,<br>LLC<br>February 7, 2005  |                   | SB-2/A                    |                  | 10.4           | 2/11/05        |
| 10.5              | Warrant Agreement (\$0.02)<br>Mercator Momentum Fund, LP<br>February 7, 2005   |                   | SB-2/A                    |                  | 10.5           | 2/11/05        |
| 10.6              | Warrant Agreement (\$0.02) -<br>Monarch Pointe Fund, Ltd.<br>February 7, 2005  |                   | SB-2/A                    |                  | 10.6           | 2/11/05        |
| 10.7              | Warrant Agreement (\$0.03) -<br>Mercator Advisory Group,<br>LLC<br>February 7, 2005  |                   | SB-2/A                    |                  | 10.7           | 2/11/05        |
| 10.8              |  |                   | SB-2/A                    |                  | 10.8           | 2/11/05        |

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|       |  |        |       |          |
|-------|--|--------|-------|----------|
|       | Warrant Agreement (\$0.03) -<br>Mercator Momentum Fund, LP<br>February 7, 2005   |        |       |          |
| 10.9  | Warrant Agreement (\$0.03)<br>Monarch Pointe Fund, Ltd.<br>February 7, 2005  | SB-2/A | 10.9  | 2/11/05  |
| 10.10 | Secured Convertible<br>Promissory Note Pinnacle<br>Investment Partners, LP March<br>24, 2004   | SB-2/A | 10.10 | 2/11/05  |
| 10.11 | Pledge and Security Agreement<br>Pinnacle Investment Partners,<br>LP March 24, 2004  | SB-2/A | 10.11 | 2/11/05  |
| 10.12 | Securities Purchase Agreement<br>Pinnacle Investment Partners,<br>LP March 24, 2004  | SB-2/A | 10.12 | 2/11/05  |
| 10.13 | Note Extension Agreement<br>Pinnacle Investment Partners,<br>LP September 24, 2004   | SB-2/A | 10.13 | 2/11/05  |
| 10.14 | Note Extension Pinnacle<br>Investment Partners, LP<br>February 10, 2005  | SB-2/A | 10.14 | 2/11/05  |
| 10.15 | Intangible Property, License<br>Acquisition Agreement CN<br>Pharmacy, Svetislav Milic, &<br>Nathan Kaplan June 7, 2005                 | 8-K    | 10.1  | 10/21/05 |
| 10.16 | Secured Promissory Note<br>Mercator Momentum Fund, LP<br>August 25, 2005   | 8-K    | 10.2  | 10/21/05 |
| 10.17 | Secured Promissory Note<br>Monarch Pointe Fund, LTD<br>August 25, 2005   | 8-K    | 10.3  | 10/21/05 |
| 10.18 | Amended and Restated<br>Promissory Note Centurion<br>Credit Resources LLC<br>November 9, 2009  | 10-K/A | 10.18 | 03/23/11 |
| 16.1  | Letter of change in certifying<br>accountant   | 8-K    | 16.1  | 04/12/11 |
| 23.1  | Consent of Independent<br>Registered Public Accounting<br>Firm   | X      |       |          |
| 31.1  | Certification of Principal<br>Executive and Chief Financial<br>Officer Pursuant to Section 302<br>of the Sarbanes-Oxley Act of<br>2002 | X      |       |          |
| 32.1  | Certification of Principal<br>Executive and Chief Financial<br>Officer Pursuant to Section 906<br>of the Sarbanes-Oxley Act of<br>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

Date: May 17, 2011

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

| <u>Name</u>                                   | <u>Title</u>  | <u>Date</u>  |
|---|---|--------------|
| <u>/s/ Keith Berman</u><br>Keith Berman       | Chief Financial Officer, Director,<br>Secretary (Principal Executive Officer and<br>Principal Accounting Officer) | May 17, 2011 |
| <u>/s/ Robert Jagunich</u><br>Robert Jagunich | Director  | May 17, 2011 |