

instaCare Corp.
Form 10QSB
May 15, 2007
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended March 31, 2007

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

Commission file number 000-33187

INSTACARE CORP.

(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

91-2105842
(IRS Employer Identification No.)

2660 Townsgate Road

Suite 300

Westlake Village, CA 91361

(Address of principal executive offices)

(805) 446-1973

(Issuer's telephone number)

Edgar Filing: instaCare Corp. - Form 10QSB

Copies of Communications to:

Stoecklein Law Group

402 West Broadway, Suite 400

San Diego, CA 92101

(619) 595-4882

Fax (619) 595-4883

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

The number of shares of Common Stock, \$0.001 par value, outstanding on May 1, 2007, was 11,031,600 shares.

Transitional Small Business Disclosure Format (Check one): Yes No

PART I -- FINANCIAL INFORMATION**Item 1. Financial Statements.****instaCare Corp.****Condensed Consolidated Balance Sheet****Unaudited**

Assets	March 31, 2007
Current assets:	
Cash	\$ 1,922
Accounts receivable	347,870
Prepaid expenses	8,545
Total current assets	358,337
Fixed assets, net of accumulated depreciation of \$421,419	71,232
Other assets:	
Deposits	3,412
Total other assets	3,412
	\$ 432,981
 Liabilities and Stockholders Deficit	
Current liabilities:	
Accounts payable	\$ 330,284
Accrued expenses	257,080
Accrued interest	261,990
Demand note related party	97,700
Convertible notes payable	1,501,617
Total current liabilities	2,448,671
Stockholders deficit:	
Preferred stock, \$0.001 par value, 3,249,000 shares authorized, 207,526 shares issued and outstanding	208
Preferred series A stock, \$0.001 par value, 750,000 shares authorized, no shares issued and outstanding	-
Preferred series C stock, \$0.001 par value, 1,000,000 shares authorized, 19,000 shares issued and outstanding	19
Preferred series D stock, \$0.001 par value, 1,000 share authorized, no shares issued and outstanding	-
Common stock owed but un-issued, 288,095 shares	288
Common stock, \$0.001 par value, 1,750,000,000 shares authorized, 10,963,505 shares issued and outstanding	10,694
Dividend payable	117,164
Additional paid-in capital	16,383,868
Accumulated (deficit)	(18,527,931)
	(2,015,690)
	\$ 432,981

See notes to condensed consolidated financial statements.

1

instaCare Corp.**Condensed Consolidated Statement of Operations****Unaudited**

	For the three months ended	
	March 31,	
	2007	2006
Revenue	\$ 1,083,282	\$ 7,466,921
Cost of sales	888,652	6,807,820
Gross profit	194,630	659,101
Expenses:		
General & administrative expenses	102,557	128,369
Payroll expense	53,253	163,568
Professional fees	24,490	65,885
Consulting fees	258,267	74,325
Depreciation and amortization	11,745	107,917
Total expenses	450,294	540,064
Net operating income (loss)	(255,664)	119,037
Other income (expense):		
Contingency for damaged product claim	(81,600)	-
Financing costs	(9,216)	-
Interest (expenses)	(56,705)	(79,273)
Total other income (expense)	(147,521)	(79,273)
Net income (loss)	\$ (403,185)	\$ 39,764
Add: Dividends declared on preferred stock	(66,250)	-
(Loss) income available to common shareholders	\$ (469,435)	\$ 39,764
Weighted average number of common shares outstanding basic and fully diluted	10,310,099	7,295,042
Net income (loss) per share basic and fully diluted	\$ (0.04)	\$ 0.01

See notes to condensed consolidated financial statements.

instaCare Corp.

Condensed Consolidated Statement of Cash Flows**(Unaudited)**

	For the three months ended March 31,	
	2007	2006
Cash flows from operating activities		
Net income (loss)	\$ (403,185)	\$ 39,764
Adjustment to reconcile net income (loss) to net cash (used) by operating activities:		
Shares issued for services	79,428	60,000
Options issued for services	203,520	
Depreciation and amortization	11,745	107,917
Changes in operating assets/liabilities		
(Increase) in accounts receivable	(80,704)	(249,849)
(Increase) in inventory	-	(277,827)
(Increase) in prepaid expenses	(8,545)	(44,520)
(Decrease) increase in accounts payable	(78,154)	253,629
Increase in accrued liabilities	31,595	48,199
Increase in accrued interest	60,921	-
Net cash (used) by operating activities	(183,379)	(62,687)
Cash flows from financing activities		
Proceeds from demand note related party	83,500	-
Payments on demand note related party	(48,800)	-
Payments on convertible notes payable	(25,000)	(2,698)
Exercise of options	156,100	-
Net cash provided (used) by financing activities	165,800	(2,698)
Net increase (decrease) in cash	(17,579)	(65,385)
Cash beginning	19,501	709,295
Cash ending	\$ 1,922	\$ 643,910
Supplemental disclosures:		
Interest paid	\$-	\$-
Income taxes paid	\$-	\$-
Non-cash transactions:		
Shares issued for services	\$ 79,428	\$ 21,430
Options issued for services	\$ 203,520	\$-

See notes to condensed consolidated financial statements.

instaCare Corp.

Notes To Condensed Consolidated Financial Statements

Note 1 Basis of presentation

The condensed consolidated interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated interim financial statements be read in conjunction with the consolidated financial statements of the Company for the period ended December 31, 2006 and notes thereto included in the Company's Form 10-KSB. The Company follows the same accounting policies in the preparation of consolidated interim reports.

The Company was organized March 2, 2001 (Date of Inception) under the laws of the State of Nevada as ATR Search Corporation. On June 21, 2002, the Company merged with Medicius, Inc. and filed amended articles of incorporation changing its name to CareDecision Corporation and subsequently changed its name to instaCare Corp. effective February 17, 2005.

Results of operations for the interim periods are not indicative of annual results.

Note 2 Going concern

The Company has an accumulated deficit of \$18,527,931 as of March 31, 2007. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company needs to obtain additional financing to fund payment of obligations and to provide working capital for operations. Management is seeking additional financing, and is now looking for a merger or acquisition candidate. The Company intends to acquire interests in various business opportunities, which in the opinion of management will provide a profit to the Company. Management believes these efforts will generate sufficient cash flows from future operations to pay the Company's obligations and working capital needs. There is no assurance any of these transactions will occur. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

instaCare Corp.

Notes To Condensed Consolidated Financial Statements

Note 3 Fixed assets

Depreciation expense totaled \$11,745 and \$12,788 for the three-month period ended March 31, 2007 and 2006, respectively.

Note 4 Notes payable

Notes payable consisted of the following as of March 31, 2007:

	March 31, 2007
Demand note from a related party, bearing interest at 9.5%	\$97,700
Promissory note, bearing interest at 9.5% per annum, Matured August 25, 2006, currently in default.	87,309
Convertible promissory note, bearing interest at 12% per annum, matured December 24, 2006, currently in default.	920,379
Convertible promissory note, bearing interest at 1.25% per month, maturing October 31, 2007 (\$170,000 net of \$6,071 discount)	163,929
Promissory note, bearing interest at 12% per annum, Matured July 31, 2006, currently in default.	130,000
Convertible promissory note, bearing interest at 1.5% Monthly, maturing May 16, 2007	200,000
Total	\$1,599,317

The Company recorded interest expense totaling \$56,705 and \$57,273 during the three months ended March 31, 2007 and 2006, respectively.

Note 5 Stockholder s equity

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

On January 3, 2007, the Company issued 227,200 shares of its common stock for the exercise of options issued pursuant to the Company s 2006 stock option plan to various consultants for cash totaling \$38,624.

Edgar Filing: instaCare Corp. - Form 10QSB

On January 3, 2007, the Company issued 150,000 shares of its common stock for services valued at \$49,500, the fair value of the underlying shares.

On February 9, 2007, the Company issued 250,000 shares of its common stock for the exercise of options issued pursuant to the Company's 2006 stock option plan to various consultants for cash totaling \$42,500.

5

instaCare Corp.

Notes To Condensed Consolidated Financial Statements

On February 12, 2007, the Company issued 130,000 shares of its common stock for the exercise of options issued pursuant to the Company's 2006 stock option plan to various consultants for cash totaling \$22,100.

On February 15, 2007, the Company issued 242,000 shares of its common stock for the exercise of options issued pursuant to the Company's 2006 stock option plan to various consultants for cash totaling \$41,140.

During the three-months ended March 31, 2007, the Company agreed to issue 470,779 shares of its common stock for the conversion of 1,000 shares of the Company's preferred C stock to Mercator Momentum Fund and Monarch Pointe Fund pursuant to the 2005 purchase agreement. As of March 31, 2007, 238,095 of these shares had not been issued.

On March 31, 2007, the company agreed to issue 50,000 shares of its common stock for the exercise of options in exchange for cash totaling \$11,100. As of March 31, 2007, these shares had not been issued.

There have been no other issuances of preferred or common stock.

Note 6 Warrants and options

2006 Stock Option Plan

On December 8, 2006 the Company adopted its 2006 Employee Stock Option Plan (the Plan) and granted incentive and nonqualified stock options with rights to purchase 1,500,000 shares of the Company's \$0.001 par value common stock.

During the three-months ended March 31, 2007, the Company issued options to purchase up to 849,200 shares of its par value common stock at an exercise price of \$0.17 per shares for various consulting services received. The Company recorded an expense in the amount of \$203,520 the fair value of the options using the Black-Scholes pricing model. As of March 31, 2007, all options were exercised for cash totaling \$145,000

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

	Number Of Shares	Weighted Average Exercise Price
Balance, January 1, 2006	-	\$ -0-

Edgar Filing: instaCare Corp. - Form 10QSB

Options granted	849,200	0.17
Options cancelled	-	-
Options exercised	849,200	0.17
Balance, March 31, 2007	-	\$ -0-
Exercisable, March 31, 2007	-	\$ -0-

6

instaCare Corp.

Notes To Condensed Consolidated Financial Statements

Note 7 Subsequent Events

On April 5, 2007, the Company issued 50,000 shares of its common stock for the renewal of a 2005 licensing agreement.

7

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, expect or anticipate or other similar terms. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

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:

- o increased competitive pressures from existing competitors and new entrants;
- o increases in interest rates or our cost of borrowing or a default under any material debt agreements;
- o deterioration in general or regional economic conditions;
- o adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;
- o loss of customers or sales weakness;
- o inability to achieve future sales levels or other operating results;
- o the unavailability of funds for capital expenditures and/or general working capital; and
- o operational inefficiencies in distribution or other systems.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see Factors That May Affect Our Results of Operation in this document and in our Annual Report on Form 10-KSB for the year ended December 31, 2006.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**OVERVIEW AND OUTLOOK**

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

The company continues to exploit its business prospects. We have added additional supply channels to our distribution operations, we have recently added additional product lines and are now servicing parallel markets. However, the company's working capital reserves have been depleted and we have been forced for the last ten months to delay fulfillment of many sales orders.

Results of Operations for the Three Months Ended March 31, 2007 and 2006.

The following table summarizes selected items from the statement of operations for the three months ended March 31, 2007 compared to March 31, 2006.

INCOME:

	Three Months Ended		Increase (Decrease)	
	2007	March 31, 2006	\$	%
Revenue	\$1,083,282	\$7,466,921	\$(6,383,639)	(85%)
Cost of Sales	888,652	6,807,820	(5,919,168)	(87%)
Gross Profit	194,630	659,101	(464,471)	(70%)
Gross Profit Percentage of Sales	18%	9%	--	9%

Revenue

Our revenue for the three months ended March 31, 2007 was \$1,083,282, compared to revenue of \$7,466,921 in the three months ended March 31, 2006. This resulted in a decrease in revenue of \$6,383,639, or 85%, from the same period a year ago. The decrease in revenue was

Edgar Filing: instaCare Corp. - Form 10QSB

due to a lack of sufficient operating capital needed for the sale of diabetic test strips to both the wholesale and retail markets.

Cost of sales / Gross profit percentage of sales

Our cost of sales for the three months ended March 31, 2007 was \$888,652, a decrease of \$5,919,168, or 87% from \$6,807,820 for the three months ended March 31, 2006. The decrease in the cost of sales in the current period was a direct result of our decrease in sales. We lack sufficient operating capital required for the pre-purchase of goods and we have experienced additional competition in the overall market place, we have focused on managing the productivity of our current market share through our profit margins.

Gross profit as a percentage of sales increased from 9% for the months ended March 31, 2006 to 18% for the three months ended March 31, 2007. The increase in gross profit margin was caused by our ability to manage our purchasing in order to achieve increased spread in our retail pricing.

EXPENSES:

	Three Months Ended			
	March 31, 2007	2006	Increase / (Decrease)	
	Amount	Amount	\$	%
Expenses:				
General & administrative expenses	102,557	128,369	(25,812)	(20%)
Payroll expense	53,253	163,568	(110,315)	(67%)
Consulting expense	258,267	74,325	183,942	247%
Professional fees	24,490	65,885	(41,395)	(63%)
Depreciation and amortization	11,745	107,917	(96,172)	(89%)
Total expenses	450,294	540,064	(182,365)	(34%)
Net operating income (loss)	(255,664)	119,037	374,701	315%
Other income (expense):				
Contingency for damaged product claim	(81,600)	-	81,600	--
Financing costs	(9,216)	-	9,216	--
Interest (expense)	(56,705)	(79,273)	(22,532)	(28%)
Net income (loss)	\$ (403,185)	\$ 39,764	442,949	1,114%

General and Administrative

Our general and administrative expenses relate to the operation and leasing costs of our corporate office and warehouse. General and administrative expenses for the three months ended March 31, 2007 were \$102,557 compared to \$128,369 for the three months ended March 31, 2006, a slight decrease of \$25,812. We anticipate our general and administrative expenses to remain fairly constant with the operational structure currently in place.

Payroll Expenses

Edgar Filing: instaCare Corp. - Form 10QSB

Our payroll expense consists primarily of management and employee salaries. Payroll expense for the three months ended March 31, 2007 was \$53,235 compared to Payroll expense of \$163,568 for the three months ended March 31, 2006. Management is focused on controlling payroll expenses until such time as revenues are generated sufficient to increase the salary paid to our executives. Payroll expense decreased due to our efforts to stream-line operations.

Consulting Expense

Our consulting expense consists of prescription drug specialists, financial consultants and marketing professionals. Consulting expense totaled \$258,267 and \$74,325 for the three months ended March 31, 2007 and 2006, respectively. The increase of \$183,942 was primarily the result of additional marketing and prescription drug consulting required due to our decrease in staffing.

Professional Fees

Our professional fees include fees paid to our accountants and attorneys. Our professional fees for the three months ended March 31, 2007 were \$24,490 compared to professional fees of \$65,885 for the three months ended March 31, 2006, a decrease of \$33,395 or 63%. Our need for extensive outside professional assistance has declined as the Company has matured. We anticipate the continued need for services provided by attorneys and accountants for general corporate governance and regulatory compliance.

Depreciation and Amortization

Our depreciation and amortization expense was \$11,745 for the three months ended March 31, 2007 compared to \$107,917 for the three months ended March 31, 2006. The decrease of \$96,172 was directly attributable to the full accretion of amortizable loan fees. We anticipate our depreciation expense to remain consistent with our current period expense until further capital expenditures are required.

Total Operating Expenses

Total operating expenses for the three months ended March 31, 2007 were \$450,294 compared to \$540,064 for the three months ended March 31, 2006. The decrease in total operating expenses was mainly a result of management's efforts to control overhead costs. During the prior year, we experienced non-recurring costs required to support the commencement of significant operations.

Net Operating Income (Loss)

Our net operating loss for the three months ended March 31, 2007 was \$255,664 compared to a net operating income of \$119,037 for the three months ended March 31, 2006. Net operating income (loss) is the result of revenue minus total expenses. Our net loss is directly attributable to our decreased sales revenue during the period ended March 31, 2007.

Interest Expense

Interest expense was \$56,705 for the three months ended March 31, 2007 compared to \$79,273 for the three months ended March 31, 2006.

Net income (loss)

Our net loss from operations was \$403,185 for the three months ended March 31, 2007 compared to net income of \$39,764 for the three months ended March 31, 2006. We expect to improve our results of operations through the attainment of sufficient working capital and through our focus in acquiring additional sales and distribution partners and greater profit margins.

Operation Plan

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

Providing medical communication devices based on networks of personal digital assistants (PDA). These products are believed to provide benefits of on demand medical information to private practice physicians, licensed medical service providers such as diagnostic testing laboratories, and medical insurers;

The distribution of medical diagnostic products primarily aimed at institutions that service patients with diabetic and asthma related diseases and ailments. Our current market focus for these products is the long term care sector of the larger healthcare market, however we plan to expand into additional sectors where we can service certain chronic ambulatory disease states;

The distribution and fulfillment of prescriptions for ethical pharmaceuticals primarily aimed at the indigent and uninsured sectors of the greater medical service markets. Our first market focus for these products will be those state Medicaid and Federally chartered clinics (and initiatives) where funding for pharmaceutical fulfillment enterprises exists;

Building electronic commerce networks based on personal digital assistants (PDA) to the hotels, motels and single building, multi-unit apartment buildings with a desire to offer local advertising and electronic services to their tenants/guests; and

Enter the cable and wireless communication industries and media enterprises with networks of personal digital assistant (PDA) technologies that link field-based installation and repair personnel with central offices for the exchange of customer order and subscription information.

Seasonality

We have completed the second full year of operation of our prescription drug and diabetes diagnostics. Our experiences point to a business that displays certain seasonal trends. One explanation is that seasonality corresponds with the beginning of a prescription drug plan

Edgar Filing: instaCare Corp. - Form 10QSB

year where new prescription drug cards are distributed by insurers to their insureds along with new plan formularies (price schedules). This in turn tends to influence stocking up buying/ordering behavior on the part of the insured.

Liquidity and Capital Resources

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

	March 31, 2007	December 31, 2006	Increase / (Decrease) \$	%
Current Assets	\$ 358,337	\$ 286,667	\$ 71,670	25%
Current Liabilities	\$ 2,448,671	\$ 2,604,610	\$ (155,939)	(6%)
Working Capital (deficit)	\$ (2,090,334)	\$ (2,317,943)	\$ (227,609)	(10%)

Internal and External Sources of Liquidity

On November 7, 2006, we entered into a preliminary agreement with Northern Healthcare Capital, LLC to secure a \$2,000,000 revolving credit facility that is geared specifically to our business. This facility, offered to us at market credit rates, is subject to verification of certain representations and warranties and usual and customary closing details. Terms of the credit facility allow us to increase the available credit in increments of \$250,000 as our business grows. This agreement has been placed on hold due to our lack of sufficient working capital required by financing facilities of this nature. We are also entertaining additional proposed credit facilities that include working capital lines that augment the asset based facilities.

On February 7, 2005, we entered into agreements with Mercator Momentum Fund, LP and Monarch Pointe Fund, Ltd. (collectively, the Purchasers) and Mercator Advisory Group, LLC (MAG). Under the terms of the agreement, we agreed to issue and sell to the Purchasers, and the Purchasers agreed to purchase from the Company, 20,000 shares of Series C Convertible Preferred Stock at \$100.00 per share (total investment of \$2,000,000, all of which was received as of February 22, 2005). As of March 31, 2007, the Purchasers have converted 1,000 Series C Preferred stock into 470,761 shares of our common stock. Additionally, we issued the following warrants: 103,125 warrants to purchase share of our common stock at \$1.60 per share and 103,125 warrants to purchase shares of our common stock at \$2.40 to Mercator Momentum Fund, LP; 209,375 warrants to purchase shares of our common stock at \$1.60 per share and 209,375 warrants to purchase shares of our common stock at \$2.40 per share to Monarch Pointe Fund, Ltd.; and 312,500 warrants to purchase shares of our common stock at \$1.60 per share and 312,500 warrants to purchase shares of our common stock at \$2.40 per share to MAG. All of the warrants expire on February 7, 2008.

Edgar Filing: instaCare Corp. - Form 10QSB

Holders of series "C" convertible stock shall not have the right to vote on matters that come before the stockholders. 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.

The number of shares the Purchasers wish to convert and those warrant shares that any of the Purchasers and MAG may acquire at any time are subject so that the aggregate number of shares of common stock of which such Purchasers and MAG and all persons affiliated with the Purchasers and MAG have beneficial ownership (calculated pursuant to Rule 13d-3 of the Securities Exchange Act of 1934, as amended) remains less than ten percent of our then outstanding common stock.

MAG Entities Agreement

On August 25, 2005, we formalized an agreement with Mercator Momentum Fund, LP, Monarch Pointe Fund, Ltd., and M.A.G., Capital, LLC, (collectively, the MAG entities) with respect to the registration default under Paragraph 8 of that certain Subscription Agreement dated February 7, 2005 by and between the parties (the Subscription Agreement). In consideration for the payment of the aggregate sum of \$10,000 cash plus execution of the Secured Promissory Notes and Security Agreement attached as exhibits to the 8-K filed on October 21, 2005, the MAG entities agreed to waive the liquidated damages provision of Paragraph 10 with respect to any additional liquidated damages which may accrue after August 23, 2005, with the understanding that such waiver shall not be deemed a waiver of any other rights to which the MAG entities may have at law or equity.

Pinnacle Investment Partners, LP Promissory Note

On March 24, 2004, we entered into a Secured Convertible Promissory Note with Pinnacle Investment Partners, LP for the principal amount of \$700,000 with an interest rate of 12% per annum. The note was secured by 212,500 shares of our common stock. Pinnacle may, at its option, at any time from time to time, elect to convert some or all of the then-outstanding principal of the Note into shares of our common stock at a conversion price of \$6.40 per share, unless such conversion would result in Pinnacle being deemed the beneficial owner of 4.99% or more of the then-outstanding common shares within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended. In the event we fail to pay any installment or principal or interest when due, the interest rate will then accrue at a rate of 24% per annum on the unpaid balance until the payment default is cured.

On September 24, 2004, the Pinnacle Note was extended by the parties by virtue of a renewal and settlement agreement through January 24, 2005, and under certain conditions until

Edgar Filing: instaCare Corp. - Form 10QSB

March 24, 2005. We met those conditions by executing the definitive agreement to acquire CareGen, Inc. As a condition of renewal we were required to provide additional security of 25,000 shares of our common stock, and Pinnacle was provided with a new election to convert some or all of the then-outstanding principal of the Note into shares of our common stock at a conversion price of \$3.60 per share. In addition, it was agreed that if we completed a merger or similar transaction prior to January 24, 2005; the Note would automatically be extended through March 24, 2005 with additional security due.

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

In addition to the above, we agreed: (1) to deliver to Pinnacle's counsel an additional 1,037,500 shares of our common stock as additional escrow security, (2) issue to Pinnacle's designee, CJR Capital, LLC, 50,000 shares of our common stock towards Pinnacle's due diligence and legal expenses related to the revision of the Note; (3) issue to Pinnacle 112,500 shares of instaCare's common stock as a loan re-initiation fee; and (4) upon receipt of any properly crafted Seller's Representation Letter, deliver to Pinnacle an opinion of counsel to the effect that commencing March 24, 2005, Pinnacle may sell under Rule 144 promulgated under the Securities Act of 1933, as amended, shares surrendered to Pinnacle in accordance with this agreement, on condition that (1) Pinnacle uses the proceeds to pay down the indebtedness under the Note as of immediately prior to effectiveness of this agreement and (2) ceases to sell any of those Shares once that indebtedness has been paid off in full. We have recorded a financing expense in the amount of \$227,500, the fair market value of the underlying shares. All of the shares required under the Note were delivered.

On October 24, 2005, we extended the maturity date of the note from April 24, 2006 to June 25, 2006. In accordance with the note extension agreement dated October 5, 2005, Pinnacle sold and or converted for aggregate proceeds of \$59,493 worth of shares and sold for aggregate proceeds of \$130,198 worth of shares. Therefore prior to the July 1, 2006 note extension, the principal balance stood at \$1,010,309.

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

Edgar Filing: instaCare Corp. - Form 10QSB

In addition to the above, we agreed: (1) to deliver to Pinnacle's counsel an additional 2,000,000 shares of our common stock (over and above current escrow holdings) as additional escrow security, (2) issue 150,000 shares of our common stock to Pinnacle in consideration for their willingness to enter into the extension agreement; and (3) upon receipt of any properly crafted Seller's Representation Letter, deliver to Pinnacle an opinion of counsel to the effect that commencing July 1, 2006, Pinnacle may sell under Rule 144 promulgated under the Securities Act of 1933, as amended, shares surrendered to Pinnacle in accordance with this agreement, on condition that (1) Pinnacle uses the proceeds to pay down the indebtedness under the Note as of immediately prior to effectiveness of this agreement and (2) ceases to sell any of those Shares once that indebtedness has been paid off in full.

On August 3, 2006, we were informed through media outlets and the printed press that the principals of Pinnacle Investment Partners, LP had been charged with several financial crimes and that the fund had been frozen and its officers remanded. Since August 3, 2006, the Company has not had contact with any of the Pinnacle fund management or attorney in fact. We have not delivered the shares called for under the July 1, 2006 extension after being advised by the fund management to stand still.

Promissory Notes with Dennis Cantor and Novex International

On May 23, 2006, we entered into a promissory note with Dennis Cantor and Novex International for the principal amount of \$255,000. Pursuant to the note we promised to pay Dennis Cantor and Novex International the sum of \$255,000 together with interest at a rate of one half of one percent (0.5%) every ten days beginning on May 23, 2006 and running through the maturity date of June 30, 2006. In the case of a default in payment of principal, all overdue amounts under the note shall bear a penalty obligation at a rate of twelve percent (12%) per annum accruing from the maturity date. On July 1, 2006, we extended the note to July 31, 2006. Also, on July 3, 2006 we paid interest and fees of \$6,542 and on August 16, 2006 made a \$50,000 principal payment on the note. During the three months ended March 31, 2007 we made an additional principal payment of \$25,000. As of March 31, 2007, the remaining principal balance was \$130,000.

Convertible Loan Payment Agreement

On July 17, 2006, we entered into a convertible loan payment agreement with Wayne G. Knapp wherein Mr. Knapp agreed to loan the Company the sum of \$200,000. The loan is for 120 days. On October 17, 2006, we renewed the note. On January 17, 2007, the parties verbally agreed to a renewal that expires on May 16, 2007. The note accrues monthly interest at a rate of 1.50% and the interest is payable quarterly in cash. The total amount owing pursuant to the agreement, was convertible at the option of Mr. Knapp at any time from July 17, 2006 until November 30, 2006, at the strike price equal to \$0.32 per share or 90% of the final bid price of our common stock on the day prior to conversion with a floor price of \$0.10 per share. We renewed Mr. Knapp's conversion option on January 17, 2007. We also issued Mr. Knapp a warrant to purchase 50,000 shares of our common stock at \$0.32 per share through December 31, 2008. Mr. Knapp exercised his warrant on March 22, 2007 and on April 18, 2007 we issued the 50,000 shares to Mr. Knapp.

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 we may, during our normal course of business, experience net negative cash flows from operations, pending receipt of revenue which often are delayed as a result of the nature of the healthcare industry. Further, we may be required to obtain financing to fund operations through additional common stock offerings and bank or other debt borrowings, to the extent available, or to obtain additional financing to the extent necessary to augment our available working capital.

Satisfaction of our cash obligations for the next 12 months.

As of March 31, 2007, our cash balance was \$1,922. Our plan for satisfying our cash requirements for the next twelve months is through additional equity, third party financing, and/or debt financing. We anticipate sales-generated income during that same period of time, but do not anticipate generating sufficient amounts of positive cash flow to meet our working capital requirements. Consequently, we intend to make appropriate plans to insure sources of additional capital in the future to fund growth and expansion through additional equity or debt financing or credit facilities.

As we expand operational activities, we may continue to experience net negative cash flows from operations, pending receipt of sales or development fees, and will be required to obtain additional financing to fund operations through common stock offerings and debt borrowings to the extent necessary to provide working capital. We received a substantial number of sales orders and refill orders beginning in mid-September 2006. However, at this time we have depleted our cash resources and as a result we were unable to pre-pay certain diabetic test suppliers for approximately \$5,400,000 in product to fill these orders, causing our customers to wait additional time to receive product from us. We have managed to keep some of our distribution activities going when our limited resources have allowed us.

We anticipate incurring operating losses until we build our capital base. Our recent operating history makes predictions of future operating results difficult to ascertain. In addition, since our cash position has fallen we are finding 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.

Going Concern

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

Summary of product and research and development that we have accomplished and that we will continue to perform for the term of our plan.

Hotel/Motel Convenience Products

Historically hotels and motels have adopted specific technology that enhances the utility of either the in-room telephone(s) or the in-room cable linked television. Thus, most of the innovations in hotels and motels have leveraged devices where innovation is waning. The electronics in telephones and telephone systems are limited and, and the television's design tends to limit its utility to one-way communication directed at the person watching. Even add-on devices such as satellite boxes for televisions and streaming LCD's for telephones add only limited functionality. The person operating the telephone or television must do something away from that device should something of interest catch their eye. Thus local merchants who may opt to advertise their products and services via closed circuit television or a streaming LCD on a telephone hope that the person watching will remember their message and visit their establishment or call for service.

Our products for hotels and motels are two-way devices. Local merchants who opt to advertise via our wireless networks through the use of our wireless ResidenceWare devices are assured that if the person viewing the advertisements sees something of interest, commerce can immediately be initiated at the device.

Revenue and Sales Generation

We are focused on expanding our point-of-care software, and indigent patient care pharmaceutical fulfillment and electronic prescriptions processing system which has been facilitated by our MD@Hand products and technology, as well as new features added to our ResidenceWare and SateLink product lines to increase revenues. With our recently acquired distribution and storage licenses granted from the state of New Jersey and North Dakota we have increased both revenue and sales.

Prescription Drug Distribution and Delivery

The retail prescription business - often subsidized or funded by government benefits - is a development stage enterprise moving to take advantage of the tremendous opportunity in retail pharmacy business via direct mail order distribution of prescriptions and related products. As part of our acquisition of CareGeneration, Inc. we also acquired a proprietary retail mail order methodology for the distribution of pharmaceutical and healthcare supplies. We are now in the early stages of marketing pharmaceutical and healthcare supplies through mail order to minority and citizen organizations (religious groups, unions, etc.). We have also begun the process of contracting to offer discounted pharmaceutical and healthcare supplies marketed by mail order to state Medicaid and the Federal Medicare plans.

Hotel/Motel Convenience Products

Our hotel/motel marketing strategy targets hotel/motel owners through the provision of technology and services that specifically respond to their needs and requirements. We have designed products to furnish hotel and motel guests with a menu of food service, office services and other remote services that include those features that specifically respond to the requirements of the hotel/motel owner. We believe that the combination of unique and responsive benefits derived from our system coupled with its simplicity, portability, convenience and ease of use will initiate and propel its implementation throughout the industry.

Primary Services and Product lines

With our prescription drug distribution business now coming on-line, we have decided to begin the practice of specializing 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. To date we have entered into agreements with distribution arms of two major manufactures and distributors of competing diabetic diagnostic products. We also have entered discussions with these and other manufacturers to enter prime distribution agreements with these manufacturers. We hope to conclude these negotiations during the second quarter of 2007. We plan to add more of these diagnostic products as we further specialize into this medical niche.

Our point of care software, and indigent patient care pharmaceutical fulfillment and prescriptions processing system can improve patient safety and reduce avoidable health care costs by decreasing prescription errors due to hard-to-read physician handwriting and by automating the process of checking for drug interactions and allergies. E-prescribing can also help make sure that patients and health professionals have the best and latest medical information at hand when they make important decisions about choosing medicines and enabling beneficiaries to get the most benefits at the lowest cost.

We also market products that compete in the real-estate management, hotel/motel and lodging sector. Our real estate and hotel/motel objectives include building electronic commerce networks based on personal digital assistants (PDA) to the hotels, motels and single building,

multi-unit apartment buildings with a desire to offer local advertising and electronic services to their tenants/guests.

Prescription Drug Distribution and Delivery

Our primary goals for our products to these markets are:

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

On November 16, 2005, the Company, through its Pharma Tech Solutions, Inc. subsidiary, was granted a retail pharmacy license by the Arizona State Board of Pharmacy. This license, Board of Pharmacy Permit Number 4374, is believed by management to be a key ingredient to fulfilling our business plan. This license will allow us to directly fill prescriptions, rendered by physicians for their patients using our proprietary Wi-Fi technologies and our novel use of the Internet, to securely relay the prescriptions electronically. In May 2006, we identified a physical facility where we plan to transact our prescription fulfillment business. As soon as we grow our working capital base and leasehold improvements are completed at this facility we will begin fulfilling medical prescriptions. On November 1, 2006, we renewed our license through the Arizona State Board of Pharmacy.

Hotel/Motel Convenience Products

We concentrate each of our marketing efforts in specific target geographic locations that permit the completion of our density strategy crucial to sustained penetration and long-term success. The creation of such networks will be conducted in multiple geographic locations simultaneously. Upon their completion in a particular geographic area the process employed is then introduced and replicated in other locations targeted for access. We believe that the products we market to hotels and motels are unique.

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 or anticipated to be needed in the next twelve months.

Significant changes in the number of employees.

We currently employ 7 employees, of which 5 are full time employees, and 2 sales/customer support representatives. No full time employees are covered by labor agreements or employment contracts. We do not expect a significant change in the number of full time employees over the next 12 months as we strive to fulfill our prescription drug distribution plans.

Letter Agreement with Capital Growth Resources

On March 14, 2007, we executed a letter agreement with Capital Growth Resources (CGR), wherein we agreed that CGR will serve as our exclusive placement agent in connection with the placement of new securities (the offering). We paid CGR a one time up front engagement fee of \$5,000 and we will pay an additional \$10,000 upon successful completion of the offering memorandum and the opening of escrow. Additionally, we will pay CGR the following fees and other compensation:

- a. subject to completion of the offering, the Company will pay the CGR a cash sales commission of eight percent (8%), a marketing allowance of two percent (2%) and a non-accountable expense fee of three percent (3%); and
- b. in addition to the cash commissions and fees payable by the Company, the Company, subject to completion of the offering, will pay the CGR five (5) year cashless exercise warrants to purchase, at a strike price of \$0.25, 13% of the total number of shares sold in the offering (the agent shares).

The agent shares, which will be acquired by CGR, will be non-assessable and will have unlimited piggy-back registration rights in the event the Company files a registration statement pursuant to the Securities Act of 1933, as amended, for registration of Company shares.

Critical Accounting Policy and Estimates

Our discussion of financial condition and results of operations is based upon information reported in our financial statements. The preparation of these statements requires us to make assumptions and estimates that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities at the date of our financial statements. We base our assumptions and estimates on historical experience and other sources that we believe to be reasonable at the time. Actual results may vary from our estimates due to changes in circumstances, politics, global economics, mechanical problems, general business conditions and other factors. Our significant accounting policies are detailed in Note 1 to our financial statements included in our Form 10-KSB for the fiscal year ended December 31, 2006. We have outlined below certain of these policies as being of particular importance to the portrayal of our financial position and results of operations, which require the application of significant judgment by our management.

Revenue recognition

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

Stock-based Compensation

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

Off-Balance Sheet Arrangements.

As of March 31, 2007, we did not have any off-balance sheet arrangements that had or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

FACTORS THAT MAY AFFECT OUR PLAN OF OPERATION

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

We were incorporated on March 2, 2001 and have previously been in the development stage and thus have had a limited operating history on which to base an evaluation of our business and prospects. Beginning in 2005, we have commenced operations and are no longer considered to be in the development stage. However, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of

Edgar Filing: instaCare Corp. - Form 10QSB

development. Such risks include, but are not limited to, dependence on the growth of use of electronic medical information and services, the adoption of PDA based Internet appliances for the transmission and display of medical information, the need to establish our brand name, the ability to establish a sufficient client base, the level of use of medical providers and the management of growth. To address these risks, we must maintain and increase our customer base, implement and successfully execute our business and marketing strategy, continue to develop and improve our point of care software and patient processing system, provide superior customer service, respond to competitive developments and attract, retain, and motivate qualified personnel. There can be no assurance that we will be successful in addressing such risks, and the failure to do so could lead to an inability to meet our financial obligations and therefore result in bankruptcy and the loss of your entire investment in our common shares.

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

We have historically lost money. We had an accumulated deficit as of March 31, 2007, and 2006 of \$18,527,931 and \$15,006,916, respectively. In addition, our development activities since inception have been financially sustained by capital contributions. Future losses are likely to occur. Accordingly, we may experience significant liquidity and cash flow problems if we are not able to raise additional capital as needed and on acceptable terms. We received a substantial number of sales orders and refill orders beginning in mid-September 2006. However, at this time we have depleted our cash resources and as a result we were unable to pre-pay certain diabetic test suppliers for approximately \$5,400,000 in product to fill these orders, causing our customers to wait additional time to receive product from us. Thus, from time to time we might need to turn to the capital markets to obtain additional financing to fund payment of obligations and to provide working capital for operations. No assurances can be given that we will be successful in reaching or maintaining profitable operations.

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

As of March 31, 2007, our four largest customers accounted for approximately 92% of our net sales. 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 and directors. This individual is responsible for monitoring and ensuring compliance with our internal control procedures. As a result, our internal controls may be inadequate or ineffective, which could cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public. Investors relying upon this misinformation may make an uninformed investment decision.

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

Our performance is substantially dependent on the services and on the performance of our Management. instaCare is, and will be, heavily dependent on the skill, acumen and services of our CFO, Secretary and Treasurer, Keith Berman and our newly elected 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.

Edgar Filing: instaCare Corp. - Form 10QSB

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

instaCare is authorized to issue up to 1,750,000,000 Shares of common stock. As of May 1, 2007, there were 11,031,600 shares of common stock issued and outstanding. Additional issuances of common stock may be required to raise capital, to acquire stock or assets of other companies, to compensate employees or to undertake other activities without stockholder approval. These additional issuances of common stock will increase outstanding shares and further dilute stockholders' interests. Because our common stock is subject to the existing rules on penny stocks and thinly traded, a large sale of stock, such as the shares we seek to have registered via this registration statement, may result in a large drop in the market price of our securities and substantially reduce the value of your investment.

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

Our common stock has traded on the Over-the-Counter Bulletin Board. Our common stock is thinly traded compared to larger more widely known companies in our industry. Thinly traded common stock can be more volatile than common stock trading in an active public market. We cannot predict the extent to which an active public market for the common stock will develop or be sustained after this offering.

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

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

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

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

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

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

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

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

Risks Relating To Our Common Stock

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

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

Deliver to the customer, and obtain a written receipt for, a disclosure document;

Disclose certain price information about the stock;

Disclose the amount of compensation received by the broker-dealer or any associated person of the broker-dealer;

Edgar Filing: instaCare Corp. - Form 10QSB

Send monthly statements to customers with market and price information about the penny stock; and

In some circumstances, approve the purchaser's account under certain standards and deliver written statements to the customer with information specified in the rules.

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

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

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

NASD 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, the National Association of Securities Dealers (NASD) 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 NASD believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The NASD 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 3. Controls and Procedures.

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods.

As of March 31, 2007, Keith Berman, our Principal Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. This marked the first reporting period since the period ended March 31, 2006 whereby the decisions and actions of the company's former CEO and Chairman were not a part of our review. Based upon his evaluation, Mr. Berman concluded that our disclosure controls and procedures are effective for the period ended March 31, 2007.

It should be noted, however, that no matter how well designed and operated, a control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events. Because of these and other inherent limitations of control systems (including faulty judgments in decision making or breakdowns resulting from simple errors or mistakes), there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Additionally, controls can be circumvented by individual acts, collusion or by management override of the controls in place

PART II--OTHER INFORMATION

Item 1. Legal Proceedings.

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

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

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

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

In addition, pursuant to a mutual release agreement executed by both parties, Kelly waived any right, claim or ownership interest in any shares of common stock of the Company.

Edgar Filing: instaCare Corp. - Form 10QSB

Kelly returned 31,958,000 shares of common stock to the Company, which will be placed in one of the Company's majority owned subsidiaries.

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

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

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

Despite the court's rulings the company continues to suffer damages through the on-going actions of IRS and STL and their agents. The Board of Directors is currently assessing additional legal options.

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

On January 3, 2007, we granted options to purchase 277,200 shares of our common stock at \$0.17 per share to four companies providing services to us. The options were exercised concurrently upon grant for cash totaling \$38,624, which was paid to the Company by BMI Consulting, Inc. The shares were registered in a Registration Statement on Form S-8POS filed on December 8, 2006. We believe that the grant of the options was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipients of the options were afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make their investment decisions, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipients, immediately prior to granting the options, had such knowledge and experience in our financial and business matters that they were capable of evaluating the merits and risks of their investment. The recipients had the opportunity to speak with our president and directors on several occasions prior to their investment decisions.

On January 3, 2007, we authorized the issuance of 150,000 shares of our restricted common stock to Crescent Fund, LLC for services provided to the Company. We believe that the issuance of the shares was exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipient of the shares was afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make its investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipient, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that

Edgar Filing: instaCare Corp. - Form 10QSB

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 18, 2007, we issued a total of 242,000 shares of our common stock for services rendered to the Company upon the exercise of options to the following service providers:

Name	No. of Shares
John Heilshorn	33,500
Keith Lippert	33,500
Jeff Stone	50,000
Michael Belcher	125,000

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

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

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

Name	No. of Shares	Amount	
		Cash (1)	Services
Jeff Stone	50,000	--	\$15,500
Barbara Asbell	70,000	\$9,575	\$12,125
Leslie Wolf	65,000	\$20,150	--
Dr. Joseph Wolf	65,000	\$20,150	--

(1) Total amount of cash was paid to the Company by BMI Consulting, Inc.

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

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

Name	No. of Shares	Amount	
		Cash (1)	Services
Thais Abraham	65,000	--	\$20,150
Wendy Block	65,000	\$20,150	--

(1) Total amount of cash was paid to the Company by BMI Consulting, Inc.

Edgar Filing: instaCare Corp. - Form 10QSB

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

Subsequent Issuances

On April 5, 2007, we issued 25,000 shares of our restricted common stock to Nathan Kaplan and 25,000 shares of our restricted common stock to Svet Milic pursuant to a renewal of a 2005 licensing, property acquisition and work through agreement with both Nathan Kaplan and Svet Milic. We believe that the issuances of the shares were exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 by virtue of Section 4(2). The recipients of the shares were afforded an opportunity for effective access to files and records of the Company that contained the relevant information needed to make their investment decision, including the Company's financial statements and 34 Act reports. We reasonably believe that the recipients, immediately prior to issuing the shares, had such knowledge and experience in our financial and business matters that they were capable of evaluating the merits and risks of their investment. The recipients had the opportunity to speak with our president and directors on several occasions prior to their investment decision.

On March 14, 2007, Mercator Momentum Fund, LP. and Monarch Pointe Fund, LP. converted 500 Series C Preferred Stock into 238,095 shares of our common stock. The 238,095 shares of common stock were issued on April 9, 2007.

On March 22, 2007, Chris Knapp exercised 50,000 options at a price of \$0.222. The 50,000 shares of common stock were issued on April 18, 2007. The 50,000 shares were registered in a Registration Statement on Form S-8OS filed on December 8, 2006.

Issuer Purchases of Equity Securities

The Company did not repurchase any of its equity securities during the quarter covered by this report.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

Press Releases

Edgar Filing: instaCare Corp. - Form 10QSB

On April 18, 2007, we issued a press release to announce that instaCare will be featured in an exclusive Market News First interview on April 19, 2007. A copy of the press release is attached herewith as Exhibit 99.1.

31

Edgar Filing: instaCare Corp. - Form 10QSB

On April 19, 2007, we issued a press release to announce our financial results for the year ended December 31, 2006. A copy of the press release is attached herewith as Exhibit 99.2.

On May 3, 2007, we issued a press release to announce that we have engaged Capital Growth Resources, a California based investment banking firm. A copy of the press release is attached herewith as Exhibit 99.3.

Item 6. Exhibits.

Exhibit number	Exhibit description	Filed herewith	Incorporated by reference		Exhibit No.	Filing date
			Form	Period ending		
3(i)(a)	Articles of Incorporation Filed March 2, 2001		10-SB		3a	9/27/01
3(i)(b)	Articles of Amendments to Articles of Incorporation Filed May 9, 2001		10-SB		3b	9/27/01
3(i)(c)	Articles of Amendments to Articles of Incorporation Filed August 2, 2002		10-QSB	6/30/02	3.1c	8/22/02
3(ii)	Bylaws of CareDecision Corporation March 16, 2001		10-SB		3c	9/27/01
10.1	Business Consulting Agreement Mark W. Lancaster February 17, 2002		S-8		4.11	3/1/02
10.2	Consulting Agreement Mark Chaim Drizin February 26, 2002		S-8		4.12	3/1/02
10.3	Consulting Agreement Barbara Asbell July 30, 2002		S-8		4.11	8/7/02
10.4	Consulting Agreement Barbara Asbell August 13, 2002		S-8		4.11	9/4/02
10.5	Service Agreement Robert Jagunich September 1, 2002		S-8		4.11	10/1/02
10.6	Consulting Agreement Glen E. Greenfelder Jr. October 1, 2002		S-8		4.11	12/17/02
10.7	Consulting Agreement Dr. Joseph Wolf January 3, 2003		S-8		4.11	1/24/03
10.8	Consulting Agreement Thomas Chillemi January 10, 2003		S-8		4.12	1/24/03
10.9	Consulting Agreement Dailyfinancial.com Inc. October 21, 2002		SB-2/A		10.1	4/29/03
10.10	Agent s Representation Agreement CareDecision.net August 20, 2002		SB-2/A		10.2	4/29/03
10.11	Service Agreement Robert Jagunich September 1, 2002		SB-2/A		10.3	4/29/03
10.12	Secured Convertible Revolving Promissory Note M & E Equities, LLC April 23, 2002		SB-2/A		10.4	4/29/03

Edgar Filing: instaCare Corp. - Form 10QSB

10.13	Service Agreement	Robert Jagunich	December 11, 2002	SB-2/A	10.5	4/29/03
10.14	Consulting Agreement	Wizard Enterprises	December 13, 2002	SB-2/A	10.6	4/29/03
10.15	Consulting Agreement	Wizard Enterprises	December 20, 2002	SB-2/A	10.7	4/29/03

Edgar Filing: instaCare Corp. - Form 10QSB

10.16	Consulting Agreement	Barbara Asbell	SB-2/A	10.8	4/29/02
		December 13, 2002			
10.17	Program Agreement between PharmaCare Management Services, Inc. and CareDecision.net Incorporated		SB-2/A	10.9	4/29/02
		May 4, 2001			
10.18	Consulting Agreement	Paradigm Partners	SB-2/A	10.10	4/29/02
		September 15, 2002			
10.19	Letter of Intent between ATR Search and Medicus		SB-2/A	10.11	4/29/02
		April 3, 2002			
10.20	Consulting Agreement	Ely Mandell August 5, 2003	SB-2/A	4.12	8/14/03
10.21	Consulting Agreement	Dr. Joseph A. Wolf	SB-2/A	4.13	8/14/03
		July 15, 2003			
10.22	Consulting Agreement	Leslie - Michelle Abraham	SB-2/A	4.14	8/14/03
		July 15, 2003			
10.23	Consulting Agreement	Thomas Chillemi	SB-2/A	4.15	8/14/03
		July 10, 2003			
10.24	Consulting Agreement	Anthony Quintiliana	SB-2/A	4.16	8/14/03
		July 1, 2003			
10.25	Consulting Agreement	Barbara Asbell	SB-2/A	4.17	8/14/03
		July 1, 2003			
10.26	Consulting Agreement	Thomas Chillemi	SB-2/A	10.13	8/29/03
		March 28, 2003			
10.27	Consulting Agreement	Dr. Joseph A. Wolfe	S-8	4.13	12/16/03
		December 1, 2003			
10.28	Consulting Agreement	Leslie Michelle Abraham	S-8	4.14	12/16/03
		December 1, 2003			
10.29	Consulting Agreement	Thomas Chillemi	S-8	4.15	12/16/03
		December 1, 2003			
10.30	Consulting Agreement	Anthony Quintiliano	S-8	4.16	12/16/03

Edgar Filing: instaCare Corp. - Form 10QSB

December 1, 2003

10.31	Subscription Agreement Mercator Momentum Fund, LP, Monarch Pointe Fund, LTD & Mercator Advisory Group, LLC February 7, 2005	SB-2/A	10.1	2/11/05
10.32	Certificate of Designation of Preferences and Rights of Series C Convertible Preferred Stock Mercator Momentum Fund, LP, Monarch Pointe Fund, LTD & Mercator Advisory Group, LLC February 2005	SB-2/A	10.2	2/11/05
10.33	Registration Rights Agreement - Mercator Momentum Fund, LP, Monarch Pointe Fund, LTD & Mercator Advisory Group, LLC February 2005	SB-2/A	10.3	2/11/05
10.34	Warrant Agreement (\$0.02) - Mercator Advisory Group, LLC February 7, 2005	SB-2/A	10.4	2/11/05
10.35	Warrant Agreement (\$0.02) - Mercator Momentum Fund, LP February 7, 2005	SB-2/A	10.5	2/11/05
10.36	Warrant Agreement (\$0.02) - Monarch Pointe Fund, Ltd. February 7, 2005	SB-2/A	10.6	2/11/05

33

Edgar Filing: instaCare Corp. - Form 10QSB

10.37	Warrant Agreement (\$0.03) - Mercator Advisory Group, LLC February 7, 2005	SB-2/A		10.7	2/11/05
10.38	Warrant Agreement (\$0.03) - Mercator Momentum Fund, LP February 7, 2005	SB-2/A		10.8	2/11/05
10.39	Warrant Agreement (\$0.03) - Monarch Pointe Fund, Ltd. February 7, 2005	SB-2/A		10.9	2/11/05
10.40	Secured Convertible Promissory Note Pinnacle Investment Partners, LP March 24, 2004	SB-2/A		10.10	2/11/05
10.41	Pledge and Security Agreement Pinnacle Investment Partners, LP March 24, 2004	SB-2/A		10.11	2/11/05
10.42	Securities Purchase Agreement Pinnacle Investment Partners, LP March 24, 2004	SB-2/A		10.12	2/11/05
10.43	Note Extension Agreement Pinnacle Investment Partners, LP September 24, 2004	SB-2/A		10.13	2/11/05
10.44	Note Extension Pinnacle Investment Partners, LP February 10, 2005	SB-2/A		10.14	2/11/05
10.45	The 2004 Stock Option Plan - Amended	S-8		99	9/8/06
10.46	Intangible Property, License Acquisition Agreement CN Pharmacy, Svetislav Milic, & Nathan Kaplan June 7, 2005	8-K		10.1	10/21/05
10.47	Secured Promissory Note Mercator Momentum Fund, LP August 25, 2005	8-K		10.2	10/21/05
10.48	Secured Promissory Note Monarch Pointe Fund,LTD August 25, 2005	8-K		10.3	10/21/05
17	Resignation letter of Robert L. Cox, August 15, 2006	10-QSB	6/30/06	17	9/1/06
31	<u>Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>				X
32	<u>Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>				X
99.1	<u>Press Release Dated April 18, 2007</u>				X
99.2	<u>Press Release Dated April 19, 2007</u>				X
99.3	<u>Press Release Dated May 3, 2007</u>				X

34

SIGNATURES

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

INSTACARE CORP.

(Registrant)

By: /s/ Keith Berman
Keith Berman, Chief Financial Officer
(On behalf of the registrant and as
principal accounting officer)

Date: May 15, 2007

35