

instaCare Corp.  
Form 10QSB  
November 16, 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 September 30, 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)

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Copies of Communications to:

Stoecklein Law Group

MacArthur Court

4695 MacArthur Court

Eleventh Floor

Newport Beach, CA 92660

(619) 595-4882

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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 October 11, 2007, was 26,691,300 shares.

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

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**PART I -- FINANCIAL INFORMATION****Item 1. Financial Statements.**

instaCare Corp.

**Condensed Consolidated Balance Sheet**

(unaudited)

<b>Assets</b>	September 30, 2007
Current assets:	
Cash	\$ 59,430
Accounts receivable	549,648
Prepaid expenses	3,822
Total current assets	612,900
Fixed assets, net of accumulated depreciation of \$444,782	47,869
Other assets:	
Deposits	3,412
Total other assets	3,412
Total assets	\$ 664,181
<b>Liabilities and Stockholders Deficit</b>	
Current liabilities:	
Accounts payable	\$ 111,412
Accrued expenses	165,196
Accrued interest	372,110
Current portion of long term debt	53,849
Convertible notes payable	1,457,009
Total current liabilities	2,159,578
Long term debt, net of current portion	98,297
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, 18,500 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, 12,839,000 shares	12,839
Common stock, \$0.001 par value, 1,750,000,000 shares authorized, 13,941,300 shares issued and outstanding	13,941
Dividend payable	240,539
Unamortized cost of shares issued for services	(157,500)
Additional paid-in capital	17,261,687
Accumulated (deficit)	(18,965,427)
Total stockholders deficit	(1,593,694)

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Total liabilities and stockholders' deficit

\$ 664,181

**See notes to condensed consolidated financial statements.**

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instaCare Corp.

**Condensed Consolidated Statement of Operations****(unaudited)**

	For the three months ended		For the nine months ended	
	September 30, 2007	2006	September 30, 2007	2006
Revenue	\$ 1,585,538	\$ 2,173,594	\$ 3,705,669	\$ 18,649,567
Cost of sales	1,327,518	2,118,688	3,124,822	17,768,215
Gross profit	258,020	54,906	580,847	881,352
Expenses:				
General & administrative expenses	48,820	195,605	230,345	470,046
Payroll expense	74,358	117,103	162,256	468,338
Professional fees	1,680	22,511	83,656	216,011
Consulting fees	225,597	198,455	603,674	324,103
Depreciation and amortization	11,618	15,128	35,108	162,625
Impairment loss on an operating asset	-	21,460	-	21,460
Total expenses	362,073	570,262	1,115,039	1,662,583
Net operating (loss)	(104,053)	(515,356)	(534,192)	(781,231)
Other income (expense):				
Financing costs	(3,205)	(37,040)	(14,328)	(42,040)
Contingent expenses	-	-	-	(90,000)
Interest expense	(56,293)	(116,713)	(168,786)	(300,010)
Total other income (expense)	(59,498)	(153,753)	(183,114)	(432,050)
Net (loss)	\$ (163,551)	\$ (669,109)	\$ (717,306)	\$ (1,213,281)
Weighted average number of common shares outstanding - basic and fully diluted	13,155,843	8,537,909	11,702,736	7,764,628
Net (loss) per share - basic and fully diluted	\$ (0.01)	\$ (0.08)	\$ (0.06)	\$ (0.16)

**See notes to condensed consolidated financial statements.**

## instaCare Corp.

## Condensed Consolidated Statement of Cash Flows

(unaudited)

	For the nine months ended September 30,	
	2007	2006
<b>Cash flows from operating activities</b>		
Net (loss)	\$ (717,306)	\$ (1,213,281)
Adjustment to reconcile net (loss) to net cash (used) by operating activities:		
Shares issued for services	356,072	355,541
Options issued for services	356,646	184,487
Warrant amortization	9,328	-
Depreciation and amortization	35,108	152,491
Changes in operating assets/liabilities		
(Increase) in accounts receivable	(282,482)	(1,318,182)
(Increase) in inventory	-	(128,277)
(Increase) decrease in prepaid expenses	(3,822)	39,706
Increase (decrease) in accounts payable	(136,641)	835,255
Increase (decrease) in accrued liabilities	(30,602)	119,531
Increase in accrued interest	163,879	-
Net cash (used) by operating activities	(249,820)	(972,729)
<b>Cash flows from financing activities</b>		
Proceeds from demand note related party	155,430	26,000
Payments on demand note related party	(68,150)	-
Proceeds from note payable	-	455,000
Payments on convertible notes payable	(33,239)	(216,009)
Proceeds from the exercise of options	225,708	-
Proceeds from the exercise of common stock	10,000	-
Net cash provided (used) by financing activities	289,749	264,991
Net increase (decrease) in cash	39,929	(707,738)
Cash beginning	19,501	709,295
Cash ending	\$ 59,430	\$ 1,557
Supplemental disclosures:		
Interest paid	\$ 1,962	\$ 173,742
Income taxes paid	\$ -	\$ -
Non-cash transactions:		
Shares and options issued for services	\$ 712,718	\$ 540,028
Warrants and options issued for financing	\$ 9,328	\$ -
Accounts payable converted to note payable	\$ 160,385	\$ -
Shares issued for debt conversion	\$ 50,000	\$ -
Shares issued for debt conversion related party	\$ 150,000	\$ -

See notes to condensed consolidated financial statements.



instaCare Corp.

**Notes To Condensed Consolidated Financial Statements**

(unaudited)

**Note 1 Basis of presentation**

The 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.

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

**Note 2 Going concern**

The accompanying condensed consolidated financial statements have been prepared assuming that we will continue as a going concern. Our ability to continue as a going concern is dependent upon attaining profitable operations based on the development of distributions platforms through which our products that can be sold. We intend to use borrowings and security sales to mitigate the affects of our cash position, however, no assurance can be given that debt or equity financing, if and when required, will be available. The 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 - Concentration**

During the nine months ended September 30, 2007, approximately \$3,240,000 or 87% of our total sales originated from three customers. 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.

**Note 4 Fixed assets**

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Depreciation expense totaled \$35,108 and \$36,283 for the nine month period ended September 30, 2007 and 2006, respectively.

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**instaCare Corp.****Notes To Condensed Consolidated Financial Statements**

(unaudited)

**Note 5 Notes payable and related parties**

On August 27, 2007, a note holder elected to convert a portion of the principal balance of their note into shares of our common stock. We issued 165,000 and 335,000 shares of our common stock to Mercator Momentum Fund, Ltd. and Monarch Pointe Fund, Ltd., respectively for the conversion. The fair value of the shares on the date of conversion was \$50,000. The outstanding principal balance at September 30, 2007 was \$870,379.

As of September 30, 2007 we have received cash advances from our chief executive officer for operational expenses. The advances are due on demand and accrued interest at a rate of 9.5%. On September 28, 2007, he elected to convert \$150,000 of the principal balance into 7,500,000 shares of our common stock or \$0.02 per share. The market value of our shares on the date of conversion was \$0.04. As of September 30, 2007, the remaining principal balance was \$281. In addition, we have accrued interest totaling \$9,458 which is unpaid at September 30, 2007.

Notes payable consisted of the following as of September 30, 2007:

	September 30, 2007
Demand note from a related party, bearing interest at 9.5%	\$ 281
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.	870,379
Convertible promissory note, bearing interest at 1.25% per month, maturing October 31, 2007 (\$170,000 net of \$959 discount)	169,041
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 December 31, 2007	200,000
Promissory note, bearing interest at 9%	

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Per annum, maturing June 20, 2010	152,146
Total notes payable	1,609,155
Current portion	1,510,858
Total long term notes payable	\$ 98,297

We have recorded interest expense totaling \$168,786 and \$300,010 during the nine- months ended September 30, 2007 and 2006, respectively.

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**instaCare Corp.**

**Notes To Condensed Consolidated Financial Statements**

(unaudited)

**Note 6 Stockholder s equity**

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

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

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

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

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

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

During the three-months ended March 31, 2007, we agreed to issue 470,779 shares of common stock for the conversion of 1,000 shares of our preferred C stock to Mercator Momentum Fund and Monarch Pointe Fund pursuant to the 2005 purchase agreement.

On March 31, 2007, we agreed to issue 50,000 shares of common stock for the exercise of options in exchange for cash totaling \$11,100. The shares were subsequently issued during the quarter ended June 30, 2007.

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

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On May 7, 2007, we issued 400,000 shares of common stock for the conversion of 500 shares of our preferred C stock to Mercator Momentum Fund and Monarch Pointe Fund pursuant to the 2005 purchase agreement.

On May 17, 2007, we issued 625,000 shares of common stock for the exercise of options issued pursuant to our 2006 stock option plan to various consultants for cash totaling \$70,250.

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instaCare Corp.

**Notes To Condensed Consolidated Financial Statements**

(unaudited)

On May 21, 2007, we authorized the issuance of 89,000 shares of common stock valued at \$23,140 for consulting services received. As of September 30, 2007, the shares were un-issued.

On June 21, 2007, we authorized the issuance of 185,600 shares of common stock for accrued expenses totaling \$38,787. The shares were subsequently issued on July 23, 2007.

On August 27, 2007, we issued 500,000 share of our common stock at a price of \$0.10 per share for the conversion of debt in the amount of \$50,000.

On September 13, 2007, we issued 1,000,000 shares of common stock for the exercise of options issued pursuant to our 2006 stock option plan to various consultants for cash services valued at \$77,000.

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

On September 28, 2007, we authorized the issuance of 7,500,000 shares of our common stock at a price of \$0.02 per share to our chief executive officer for the conversion of \$150,000 of the principal balance of his note. The market price per share on the date of conversion was \$0.04. As of September 30, 2007, the shares were unissued.

On September 28, 2007, we agreed to issue 5,250,000 shares of common stock to its two directors as compensation for services from July 1, 2007 through July 1, 2008. The fair value of the shares on the date of grant was \$210,000 and will be amortized over the one year service period. As of September 30, 2007, we have recorded compensation expense in the amount of \$52,500 and unamortized cost of shares issued for services of \$157,500.

**Note 7 Options**

2006 Stock Option Plan

On December 8, 2006 we adopted our 2006 Employee Stock Option Plan (the 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.

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During the three-months ended March 31, 2007, we issued options to purchase up to 849,200 shares of par value common stock at an exercise price of \$0.17 per share for various consulting services received. We 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

During the three-months ended June 30, 2007, we issued options to purchase up to 625,000 shares of par value common stock at an exercise price of \$0.11 per share for various consulting services. We recorded an expense in the amount of \$188,548. the fair

**instaCare Corp.****Notes To Condensed Consolidated Financial Statements**

(unaudited)

value of the options using the Black-Scholes pricing model. As of June 30, 2007, all options were exercised for cash totaling \$70,250.

During the three-months ended September 30, 2007, we issued options to purchase up to 1,000,000 shares of par value common stock at an exercise price of \$0.077 per share for various consulting services. We recorded an expense in the amount of \$57,500. the fair value of the options using the Black-Scholes pricing model. As of September 30, 2007, all options were exercised in exchange for services valued at \$77,000.

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

	<b>Number Of Shares</b>	<b>Weighted Average Exercise Price</b>
Balance, January 1, 2007	-	\$ -0-
Options granted	2,474,200	0.117
Options cancelled	-	-
Options exercised	2,474,200	0.117
Balance, September 30, 2007	-	\$ -0-
Exercisable, September 30, 2007	-	\$ -0-

**Note 8 - Warrants**

	<b>Number Of Shares</b>	<b>Weighted Average Exercise Price</b>
Balance, January 1, 2007	1,428,750	\$ 1.86
Warrants granted	-	-
Warrants cancelled	-	-
Warrants exercised	-	-
Balance, September 30, 2007	1,428,750	\$ 1.86
Exercisable, September 30, 2007	1,428,750	\$ 1.86

**Note 9 Subsequent events**

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On October 3, 2007, we issued 12,750,000 shares of common stock previously authorized.

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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, 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 for equity financing;
- 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.**

**OVERVIEW AND OUTLOOK**

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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. Our business attention is also focused towards providing prescription drugs and medical diagnostics through several medical distribution channels.

We continue to exploit our business prospects. However, our working capital reserves have continued to deplete and we are forced to continue to delay fulfillment of many sales orders. On October 31, 2007 we took steps to alleviate some of our capital needs by agreeing to terms with Centurion Capital Resources, LLC for a \$1 million revolving line of credit specifically tailored to our business and for the fulfillment of many of our larger sales orders.

### Results of Operations for the Three Months Ended September 30, 2007 and 2006.

The following table summarizes selected items from the statement of operations for the three months ended September 30, 2007 compared to September 30, 2006.

#### INCOME:

	Three Months Ended		Increase (Decrease)	
	2007	2006	\$	%
Revenue	\$1,585,538	\$2,173,594	\$(588,056)	(27%)
Cost of Sales	1,327,518	2,118,688	(791,170)	(37%)
Gross Profit	258,020	54,906	203,114	4%
Gross Profit Percentage of Sales	16%	3%		13%

#### Revenue

Our revenue for the three months ended September 30, 2007 was \$1,585,538, compared to revenue of \$2,173,594 in the three months ended September 30, 2006. This resulted in a decrease in revenue of \$588,056, or 27%, from the same period a year ago. The decrease in

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revenue was due to a lack of sufficient operating capital needed to manage our medical diagnostics products business, particularly the pre-payment required for the sale of diabetic test strips. However, the decrease in revenue was partially offset by an increased gross profit percentage of revenue.

### Cost of sales / Gross profit percentage of sales

Our cost of sales for the three months ended September 30, 2007 was \$1,327,518, a decrease of \$791,170, or 37% from \$2,118,688 for the three months ended September 30, 2006. The decrease in the cost of sales in the current period was a direct result of our decrease in sales. We currently lack sufficient operating capital required for the pre-purchase of goods to manage our medical diagnostics business and we have experienced additional competition in the overall market place. We have focused on managing the productivity of our current market share through increasing our profit margins.

Gross profit as a percentage of sales increased from 3% for the months ended September 30, 2006 to 16% for the three months ended September 30, 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:

	<b>Three Months Ended</b>			
	<b>September 30,</b>	<b>2006</b>	<b>Increase / (Decrease)</b>	
	<b>2007</b>		<b>Amount</b>	<b>\$</b>
	<b>Amount</b>	<b>Amount</b>		
Expenses:				
General & administrative expenses	\$48,820	\$195,605	\$(146,785)	(75%)
Payroll expense	74,358	117,103	(42,745)	(37%)
Professional fees	1,680	22,511	(20,831)	(93%)
Consulting	225,597	198,455	27,142	14%
Impairment of an operating asset	-	21,460	(21,460)	-
Depreciation and amortization	11,618	15,128	(3,510)	(23%)
Total expenses	362,073	570,262	(208,189)	(33%)
Net operating (loss)	(104,053)	(515,356)	(411,303)	80%
Other income (expense):				
Financing costs	(3,205)	(37,040)	(37,040)	-
Interest (expense)	(56,293)	(116,713)	(57,215)	(49%)
Net (loss)	\$(163,551)	\$(669,109)	\$(505,558)	(76%)

### General and Administrative

Our general and administrative expenses relate to the operation and leasing costs of our corporate office and warehouse facilities. General and administrative expenses for the three months ended September 30, 2007 were \$48,820 compared to \$195,605 for the three months ended September 30, 2006, a decrease of \$146,785. Our decrease is primarily due to a reduction



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in our insurance expense and licensing fees. We anticipate our general and administrative expenses to remain fairly constant with the operational structure currently in place.

### **Payroll Expenses**

Our payroll expense consists primarily of management and employee salaries. Payroll expense for the three months ended September 30, 2007 was \$74,358 compared to Payroll expense of \$117,103 for the three months ended September 30, 2006. Due to our decline in revenues over the previous period, management has focused on controlling payroll expenses through staff eliminations and salary reductions. We anticipate the reduction as being temporary, increasing over the next quarter as revenues increase and become sufficient to support additional staff and increased executive compensation.

### **Consulting Expense**

Our consulting expense for the three months ended September 30, 2007 was \$225,597 and consisted of equity based compensation issued to prescription drug specialists. During the same period in 2006, our consultants provided marketing and financial services, business development expertise and medical consulting services. In 2006, we paid a total of \$198,455 in the form of shares and options for consulting services. We anticipate a continued need for the services of various consultants and expect the cost for those services to remain comparable to our historical payments.

### **Professional Fees**

Our professional fees include fees paid to our accountants and attorneys. Our professional fees for the three months ended September 30, 2007 were \$1,680 compared to professional fees of \$22,511 for the three months ended September 30, 2006, a decrease of \$20,831 or 93%. The decrease was the result of the cancellation of a service agreement previously accrued in the amount of \$25,000. We will continue to seek the services of outside professionals for general corporate governance and regulatory compliance and anticipate stable costs for these services in the future.

### **Depreciation and Amortization**

Our depreciation and amortization expense was \$11,618 for the three months ended September 30, 2007 compared to \$15,128 for the three months ended September 30, 2006. The decrease of \$3,500 is attributable to the full depreciation of aged assets. 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 September 30, 2007 were \$362,073 compared to \$570,262 for the three months ended September 30, 2006. The decrease in total operating expenses of \$208,189 was mainly a result of staff eliminations, reductions in insurance



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and licensing fees. During the prior year, we also experienced non-recurring costs required to support the commencement of significant operations.

### Net Operating (Loss)

Our net operating loss for the three months ended September 30, 2007 was \$104,053 compared to a net operating loss of \$515,356 for the three months ended September 30, 2006. Our decrease in net loss of \$411,303 is the result of an increase in our gross profit margin and a decrease in operating expenses over the same previous period.

### Interest Expense

Interest expense was \$56,293 for the three months ended September 30, 2007 compared to \$116,713 for the three months ended September 30, 2006.

### Net (loss)

Our net loss from operations decreased \$505,558 to \$163,551 for the three months ended September 30, 2007 compared to net loss of \$669,109 for the three months ended September 30, 2006. We expect continued improvements in our operational results through ongoing efforts to increase distribution and sales channels and control over day to day operating expenses by management.

### Results of Operations for the Nine Months Ended September 30, 2007 and 2006.

The following table summarizes selected items from the statement of operations for the nine months ended September 30, 2007 compared to September 30, 2006.

### INCOME:

	Nine Months Ended		Increase (Decrease)	
	September 30, 2007	2006	\$	%
Revenue	\$3,705,669	\$ 18,649,567	\$(14,943,898)	(80%)
Cost of Sales	3,124,822	17,768,215	(14,643,393)	(82%)
Gross Profit	580,847	881,352	(300,505)	(34%)

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Gross Profit Percentage of Sales	16%	5%	(11%)
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**Revenue**

Our revenue for the nine months ended September 30, 2007 was \$3,705,669, compared to revenue of \$18,649,567 in the nine months ended September 30, 2006. This resulted in a decrease in revenue of \$14,943,898, or 80%, from the same period a year ago. The decrease in

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revenue was due to a lack of sufficient operating capital needed to manage our medical diagnostics business.

### Cost of sales / Gross profit percentage of sales

Our cost of sales for the nine months ended September 30, 2007 was \$3,124,822, a decrease of \$14,643,393, or 82% from \$17,768,215 for the nine months ended September 30, 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 5% for the nine months ended September 30, 2006 to 16% for the nine months ended September 30, 2007. The increase in gross profit margin was caused by our ability to manage our purchasing and balance our wholesale market more efficiently with our retail markets which inherently provide an opportunity to achieve greater gross profit margins.

### EXPENSES:

	<b>Nine Months Ended</b>			
	<b>September 30, 2007</b>	<b>2006</b>	<b>Increase / (Decrease)</b>	
	<b>Amount</b>	<b>Amount</b>	<b>\$</b>	<b>%</b>
Expenses:				
General & administrative expenses	\$230,345	\$470,046	\$(239,701)	(51%)
Payroll expense	162,256	468,338	(306,082)	(65%)
Consulting fees	603,674	324,103	279,571	86%
Professional fees	83,656	216,011	(132,355)	(61%)
Depreciation and amortization	35,108	162,625	(127,517)	(78%)
Impairment of an operating asset	-	21,460	(21,460)	-
Total expenses	1,115,039	1,662,583	(547,544)	(33%)
Net operating (loss)	(534,192)	(781,231)	(247,039)	(32%)
Other income (expense):				
Contingencies	-	(90,000)	(90,000)	-
Financing costs	(14,328)	(42,040)	(30,917)	(74%)
Interest (expense)	(168,786)	(300,010)	(128,019)	(43%)
Net (loss)	\$(717,306)	\$(1,213,281)	\$(495,975)	(41%)

### 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 nine months ended September 30, 2007 were \$230,345 compared to \$470,046 for the nine months ended September 30, 2006, a decrease of \$239,701. During the nine months ending September 30, 2007, we experienced decreases in our licensing, insurance and warehousing costs which account for the



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majority of our reduction in general and administrative costs. We anticipate our general and administrative expenses to remain fairly constant with the operational structure currently in place.

### **Payroll Expenses**

Our payroll expense consists primarily of management and employee salaries. Payroll expense for the nine months ended September 30, 2007 was \$162,256 compared to payroll expense of \$468,338 for the nine months ended September 30, 2006, a decrease of \$306,082 or 65%. The decrease in payroll expenses is the direct result of our decline in revenue. As a result we have made significant changes to compensation levels and the number of full time personnel on staff. Management continues to focus on controlling payroll expenses until such time as sufficient revenues are generated to support increases in compensation structures and additional personnel.

### **Consulting Expense**

Our consulting expense consists of prescription drug specialists, financial consultants and marketing professionals. Consulting expense totaled \$603,674 and \$324,103 for the nine months ended September 30, 2007 and 2006, respectively. The increase of \$279,571 was the result of additional 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 nine months ended September 30, 2007 were \$83,656 compared to professional fees of \$216,011 for the nine months ended September 30, 2006, a decrease of \$132,355 or 61%. During 2006, we had incurred additional non-recurring legal fees in connection with our July 2005, complaint against Ronald Kelly, Linda R. Kelly, Kimberly Kelly, and Kelly Company World Group, Inc. Though we foresee the continued need for services provided by attorneys and accountants for general corporate governance and regulatory compliance, we do not anticipate extraordinary professional fees arising as a result of our general course of operations.

### **Depreciation and Amortization**

Our depreciation and amortization expense was \$35,108 for the nine months ended September 30, 2007 compared to \$162,625 for the nine months ended September 30, 2006. The decrease of \$127,517 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 nine months ended September 30, 2007 were \$1,115,039 compared to \$1,662,583 for the nine months ended September 30, 2006. The decrease in total operating expenses was mainly a result of management's efforts to control overhead costs.



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During the prior year, we experienced non-recurring costs required to support the commencement of significant operations.

### **Net Operating (Loss)**

Our net operating loss for the nine months ended September 30, 2007 was \$534,192 compared to a net operating loss of \$781,231 for the nine months ended September 30, 2006. Net operating income (loss) is the result of revenue minus total expenses. Our net loss increase year to year is directly attributable to our decreased sales revenue during the period ended September 30, 2007.

### **Interest Expense**

Interest expense was \$168,786 for the nine months ended September 30, 2007 compared to \$300,010 for the nine months ended September 30, 2006.

### **Net (loss)**

Our net loss from operations was \$717,306 for the nine months ended September 30, 2007 compared to net loss of \$1,213,281 for the nine months ended September 30, 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:

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;

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;





**Seasonality**

We have completed two full years of operation of our prescription drug and diabetes diagnostics. We have recently added wound care and ostomy care products during the quarter just ended. Our experiences point to businesses that display certain seasonal trends. One explanation is that seasonality corresponds with the beginning of a prescription drug plan 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 September 30, 2007 compared to December 31, 2006.

	September 30, 2007	December 31, 2006	Increase / (Decrease)	
			\$	%
Current Assets	\$ 612,900	\$ 286,667	\$ 326,233	114%
Current Liabilities	\$ 2,159,578	\$ 2,604,610	\$(445,032)	(17%)
Working Capital (deficit)	\$(1,546,678)	\$( 2,317,943)	\$771,265	33%

*Internal and External Sources of Liquidity*

On October 31, 2007, we entered into a preliminary agreement and agreed to terms with Centurion Capital Resources, LLC of NY, ( Centurion ) to secure a \$1,000,000 revolving credit facility that is geared specifically to our business. This facility, which includes the use of a trustee bank account controlled by the Company, and profit sharing terms payable in cash from proceeds and securities, is offered to us at market credit rates. We are in the process of closing this facility and expect to be using the facility in November 2007. The credit facility is anticipated to allow us to increase the available credit as our business grows. Even though the agreement with Centurion is expected to meet a majority of our external capital needs, we continue to seek additional proposed credit facilities that include working capital lines.

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 was geared specifically to our business. This facility, also offered to us at market credit rates, was subject to verification of certain representations and warranties and usual and customary closing details. The credit facility would have allowed us to increase the available credit in increments of \$250,000 as our business grew but also required the company to put certain of its own capital at risk. This agreement was placed on hold in April 2008 due to our lack of sufficient working capital required.

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,



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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 June 30, 2007, the Purchasers have converted 1,840 Series C Preferred stock into 870,761 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. We are in discussions with the Purchasers for the repurchase of both classes of warrants.

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. The MAG entities have begun discussions with us to convert the secured promissory note into shares of our common stock. However, as of the date of this filing no definitive agreements have been reached.

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 March 24, 2005. We met those conditions by executing the definitive agreement to acquire CareGeneration, 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.

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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.

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 direct contact with any of the Pinnacle fund management or attorney in fact except for one exchange of emails in the first quarter of 2007. We have not delivered the additional shares called for under the July 1, 2006 extension after being advised in our February 2007 exchange of emails by the fund management to stand still. During the period beginning July 1, 2006 and ending August 3, 2006, Pinnacle sold 450,000 additional shares under Rule 144.

### 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

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made an additional principal payment of \$25,000. As of September 30, 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. On May 17, 2007 the parties agreed to renew the Note through December 31, 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 through January 17, 2008. We continue to accrue interest payable on this note. 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. No additional activity has occurred since this warrant exercise.

### Promissory Note with Invacare Corporation

On June 20, 2007, we entered into a promissory note with Invacare Corporation for the principal amount of \$160,385, thereby retiring an equal amount due and recorded as a payable. Pursuant to the note we promised to pay Invacare the sum of \$160,385 together with interest at a rate of nine percent (9%) per annum, payable in thirty-six (36) equal consecutive monthly installments in the sum of \$5,100.20. The consecutive monthly installments commenced on the 10<sup>th</sup> of July, 2007 and will continue on the same day of each calendar month thereafter until paid in full. In the case of a default in payment, Invacare may, at its option, without notice or demand, accelerate the maturity of the indebtedness then outstanding under the note and declare the same to be at once due and payable. The company is currently current with its monthly installments on this Note.

*Cash Flow.* Since inception, we have primarily financed our cash flow requirements through the issuance of common stock, the issuance of notes, various debt or convertible debt instruments 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 September 30, 2007, our cash balance was \$59,430. Our plan for satisfying our cash requirements for the next twelve months is through additional equity, third party financing,

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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. Over the past 12 months we have received a substantial number of sales orders and refill orders from both our customers and joint venture partners. However due to our depleted cash resources we have been unable to pre-pay certain of our product suppliers for goods thus causing our customers and joint venture partners to wait to receive product from us. Our management estimates that our lack of capital has led to delays or losses of sales in excess of \$11 million since August 2006. While a portion of our sales orders were rescheduled many were lost to our competition. In 2007 due to lack of improvement in our working capital reserves, we have at times negotiated less profitable arrangements with our institutional clients. Through September 30, 2007 we have managed to protect most of our direct to patient business. We have thus 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. 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.*

### **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 medical prescription drug distribution and storage licenses (and/or their renewals) granted from the states of New Jersey, New York and North Dakota which will allow us to greatly increase both revenue and sales.

On May 10, 2007, we entered into an exclusive joint venture agreement with R&R Drugs, Inc., Brooklyn, NY ( R&R ) to augment our medical prescription drug and diagnostics business. Through our subsidiary Pharma Tech Solutions, Inc. we were granted exclusive use to R&R's Closed Door Pharmacy License (#020048 issued by the State of New York) for the distribution of medical products to certain market channels, as well as other concessions by R&R concerning their federal DEA license and Medicare HIN. Also, as part of the agreement, we granted use to R&R of certain of our medical group buying facility schedules. We have begun business under the agreement. We are seeking other similar agreements and are in discussions with a pharmacy in Arizona.

### *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.

### *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.

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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. We are presently taking steps to renew this permit and are in the process of securing the services of a senior pharmacist. 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 November 2006, we renewed our license through the Arizona State Board of Pharmacy. We plan to renew this license again in November 2007.

### **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 3 are full time employees, and 4 part-time sales/customer support representatives. No full time employees are covered by labor agreements or employment contracts. We expect a significant change in the number of full time employees over the next 12 months as soon as we implement our new credit facility as we strive to fulfill our prescription drug distribution plans.

#### **Placement 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 ). On July 8, 2007 we memorialized this letter agreement with a Placement Agreement. We have paid CGR a one time up front engagement fee of \$5,000 and we agreed to pay an additional \$10,000 upon successful completion of the offering memorandum and the opening of escrow. We have, as of July 31, 2007, paid an additional \$5,000, for a total of \$10,000. Additionally, we will pay CGR the following fees and other compensation based on the success of their best efforts:

- 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.



Finders Agreement

On September 7, 2007, we entered into a Finder's Agreement with Intercontinental Capital Corp. ("Finder"), wherein the Finder to act as the Company's non-exclusive finder with respect to sales by the Company in an asset based transaction i.e. credit facility in an initial advance of \$500,000. Often times Finders engaging in these services will rely on several levels of associates. The Finder will introduce the Company to Lenders (such lenders introduced to the Company by the Finder referred to herein as the "Offerees"). In consideration for the services rendered we agreed to pay the Finder cash compensation equal to 5% of the gross Offering funds received by the Company in the Offering from an Offeree. Additionally, we agreed to issue shares of our restricted common stock equal to 5% of the gross Offering funds received by the Company in the Offering from an Offeree to the Finder. The agreement will automatically terminate upon completion of the Offering. Subsequent to executing this agreement the company has been introduced to three additional associates with whom the company is now working, Market Solutions Ltd. Of Boca Raton, FL, Water s Edge Advisors, LI, NY and Premier Funding & Financial Marketing LLC, Phoenix, AZ.

**Consultants**

*Barbara Asbell.* On April 20, 2007, we entered into a consulting agreement with Barbara Asbell, wherein Ms. Asbell agreed to provide healthcare business and medical IT consulting, plus medical IT merger and acquisition planning and introductions consulting to the Company. The term of the agreement began on April 20, 2007 and terminated September 30, 2007. We agreed to compensate Ms. Asbell with 97,500 options to purchase shares of our common stock at \$0.363 per share for a period of 3 years. The options were granted and exercised into shares of common stock with the exercise of the options being provided as compensation under the agreement. On May 17, 2007, we reduced the exercise price to \$0.1124 per share and issued the 97,500 shares to Ms. Asbell for cash of \$10,959.

On September 11, 2007, we granted 250,000 additional options to Ms Asbell to purchase shares of our common stock at an exercise price of \$0.117 for services provided through September 30, 2007. The options were exercised immediately in exchange for services valued at \$19,250.

*Joseph Wolf.* On April 20, 2007, we entered into a consulting agreement with Joseph Wolf, wherein Mr. Wolf agreed to provide medical information technology consulting to the Company. The term of the agreement began on April 20, 2007 and terminated on September 30, 2007. We agreed to compensate Mr. Wolf with 146,500 options to purchase shares of our common stock at \$0.363 per share for a period of 3 years. The options were granted as options exercised into shares of common stock with the exercise of the options being provided as compensation under the agreement. On May 17, 2007, we reduced the exercise price to \$0.1124 per share and issued the 146,500 shares to Mr. Wolf for cash of \$16,467.

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On September 11, 2007, we granted 250,000 additional options to Mr. Wolf to purchase shares of our common stock at an exercise price of \$0.117 for services provided through September 30, 2007. The options were exercised immediately in exchange for services valued at \$19,250.

*Thais Abraham.* On April 20, 2007, we entered into a consulting agreement with Thais Abraham, wherein Mr. Abraham agreed to provide healthcare business and medical IT consulting, plus medical IT merger and acquisition planning and introductions consulting to the Company. The term of the agreement began on April 20, 2007 and terminated on September 30, 2007. We agreed to compensate Mr. Abraham with 158,000 options to purchase shares of our common stock at \$0.363 per share for a period of 3 years. The options were granted as options exercised into shares of common stock with the exercise of the options being provided as compensation under the agreement. On May 17, 2007, we reduced the exercise price to \$0.1124 per share and issued the 158,000 shares to Mr. Abraham for cash of \$17,759.

On September 11, 2007, we granted 250,000 additional options to Ms. Abraham to purchase shares of our common stock at an exercise price of \$0.117 for services provided through September 30, 2007. The options were exercised immediately in exchange for services valued at \$19,250.

*Leslie-Michelle Wolf.* On April 20, 2007, we entered into a consulting agreement with Leslie-Michelle Wolf, wherein Ms. Wolf agreed to provide worker's compensation technology consulting and sales marketing consulting to the Company. The term of the agreement began on April 20, 2007 and terminated on September 30, 2007. We agreed to compensate Ms. Wolf with 145,000 options to purchase shares of our common stock at \$0.363 per share for a period of 3 years. The options were granted as options exercised into shares of common stock with the exercise of the options being provided as compensation under the agreement. On May 17, 2007, we reduced the exercise price to \$0.1124 per share and issued the 145,000 shares to Ms. Wolf for cash of \$16,298.

On September 11, 2007, we granted 250,000 additional options to Ms. Wolf to purchase shares of our common stock at an exercise price of \$0.117 for services provided through September 30, 2007. The options were exercised immediately in exchange for services valued at \$19,250.

### **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.

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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 September 30, 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 unprofitable operating history could delay our growth and result in the loss of your investment.*

We have had a continued unprofitable operating history, which makes an evaluation of our business and prospects subject to substantial risks and uncertainties. Our prospects must be



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considered in light of the risks, expenses and difficulties frequently encountered by companies with limited capital resources. 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 September 30, 2007, and 2006 of \$18,965,427 and \$16,533,462, respectively. 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. Over the past 12 months we have received a substantial number of sales orders and refill orders from both our customers and joint venture partners. However due to our depleted our cash resources we have been unable to pre-pay certain of our product suppliers for goods, thus causing our customers and joint venture partners to wait to receive product from us. Our management estimates that our lack of sufficient working capital has led to delays or losses of gross sales in excess of \$11 million since August 2006. While a portion of our sales orders were rescheduled many were lost to our competition. In 2007 when our working capital reserves did not improve we attempted to negotiate lesser arrangements with our institutional clients and we are currently delivering product to several of these clients. We have managed to protect most of our direct to patient business.

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 September 30, 2007, our three largest customers and exclusive arrangement ventures accounted for approximately 87% of our net sales. Our sales include distribution through several of our largest customers who then provide additional products and services as well as billing and/or collection services on our behalf. We also provide direct sales to diabetics through our exclusive arrangements with our two joint ventures who operate closed door pharmacies, and sales to medical institutions. 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

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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 buy product directly, and 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. Although we also employ specialized consultants with public company accounting experience, our individual is nonetheless responsible for monitoring and ensuring compliance with our internal control procedures. As a result, from time to time our internal controls may be inadequate or ineffective, which could cause our financial reporting to be unreliable and lead to errors or misinformation being disseminated to the public. Investors relying upon these errors, if any, 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

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long-term employment agreements with our key personnel and currently have no "Key Employee" life insurance policies.

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

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

instaCare is authorized to issue up to 1,750,000,000 Shares of common stock. As of October 11, 2007, there were 26,691,300 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.

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***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;

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, 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. 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.

*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, the Financial Industry Regulatory Authority (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 3. Controls and Procedures.**

Our Principal Executive Officer and Chief Financial Officer Keith Berman has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Report. Based on that evaluation, Mr. Berman concluded that our disclosure controls and procedures are effective in timely alerting him to material information relating to us (including our consolidated subsidiaries) required to be included in our periodic SEC filings.

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II--OTHER INFORMATION**

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

We transact commerce in several health related market channels. From time to time, we may become involved in claims and litigation that arise out of the normal course of business or the normal course of the business of our suppliers, partners and customers. Healthcare is a very litigious industry. Other than as noted below there are no pending matters at the current time that in management's judgment may be considered potentially material to us.

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

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



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In addition, pursuant to a mutual release agreement executed by both parties, Kelly waived any right, claim or ownership interest in any shares of common stock of the Company. Kelly returned 399,475 shares of common stock to the Company.

*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. The court has subsequently awarded certain costs and fees to the Company. We are currently attempting to collect these costs.

Despite the court's rulings the company continues to suffer damages through the on-going actions of IRS and STL and their agents, including a former officer and director who is working with 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 July 23, 2007, we issued a total of 184,700 shares of our restricted common stock to the following individuals:

<b>Name</b>	<b>No. of Shares</b>	<b>Reason</b>
Suzanne Herring	95,600	Services
Svet Millic	44,550	Commission
Nathan Kaplan	44,550	Commission

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.

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On August 15, 2007, Mercator Momentum Fund, L.P. and Monarch Pointe Fund, Ltd. converted 300 Series C Preferred Stock into 500,000 shares of our common stock. The 500,000 shares of common stock were issued on August 27, 2007.

On September 13, 2007, we issued a total of 1,000,000 shares of our common stock to the following individuals:

<b>Name</b>	<b>No. of Shares</b>	<b>Reason</b>
Thais Abraham	250,000	Services
Leslie-Michelle Wolf	250,000	Services
Joseph Wolf	250,000	Services
Barbara Asbell	250,000	Services

The above shares issued on September 13, 2007 were registered in a Registration Statement on Form S-8 filed on August 31, 2007.

On July 27, 2007, we sold 200,000 shares of our restricted common stock to 1 accredited investor for a total purchase price of \$10,000. The 200,000 shares were issued on September 19, 2007. 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.

### Subsequent Issuances

On October 3, 2007, we issued 7,500,000 shares of our restricted common stock to Keith Berman, Chief Financial Officer of the Company, pursuant to the conversion of his \$150,000 promissory note. 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 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 he was capable of evaluating the merits and risks of his investment. The recipient had the opportunity to speak with our president and directors on several occasions prior to his investment decision.

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On October 3, 2007, we issued a total of 5,500,000 shares of our restricted common stock to two of our directors as follows:

<b>Name</b>	<b>No. of Shares</b>	<b>Reason</b>
Robert Jagunich	2,750,000	Director's Fees
Keith Berman	2,750,000	Director's Fees

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.

### **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.**

As of September 30, 2007, we were in default on the following loans or notes:

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.	\$870,379
Promissory note, bearing interest at 12% per annum, Matured July 31, 2006, currently in default.	\$130,000

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

None.

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

None.



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**Item 6. Exhibits.**

<b>Exhibit number</b>	<b>Exhibit description</b>	<b>Filed herewith</b>	<b>Incorporated by reference Period</b>		<b>Filing</b>	
			<b>Form</b>	<b>ending</b>	<b>Exhibit No.</b>	<b>date</b>
31	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X				
32	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X				

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**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: November 16, 200