

instaCare Corp.
Form 10-Q
August 18, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2010

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

Commission file number 000-29315

instaCARE CORP.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

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

2660 Townsgate Road, Suite 300
Westlake Village, California 91361
(Address of principal executive offices)

(805) 446-1973

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes . No .

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

Large accelerated filer .

Accelerated filer .

Non-accelerated filer . (Do not check if a smaller reporting company)

Smaller reporting company .

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

Yes . No .

The number of shares of Common Stock, \$0.001 par value, outstanding on June 30, 2010, was 94,990,780 shares.

PART 1 FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

instaCare, Corp.
Condensed Consolidated Balance Sheets

	June 30, 2010 (Unaudited)	December 31, 2009 Audited
Assets		
Current assets:		
Cash	\$ 402,164	\$ 239,302
Accounts receivable	3,991,918	3,612,647
Inventory	97,435	-
Prepaid expenses	10,219	451,038
Total current assets	4,501,736	4,302,987
Fixed assets:		
Furniture and fixtures	2,530	2,530
Computer equipment	232,365	232,365
Less accumulated depreciation	234,895	234,895
Fixed assets, net	-	-
Other assets		
Intellectual property	9,950	-
Amortizable loan fees	8,500	21,250
Total other assets	18,450	21,250
Total assets	\$ 4,520,186	\$ 4,324,237
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 65,745	\$ 81,182
Accrued liabilities	86,971	83,191
Accrued interest	101,832	307,147
Line of credit	1,216,178	1,593,556
Notes payable, current portion	78,745	221,793
Convertible notes payable	145,000	445,000
Total current liabilities	1,694,471	2,731,879
Contingencies	205,500	305,500
Stockholders Equity		
Preferred stock, \$0.001 par value, 3,249,000 shares authorized, no shares issued		
and outstanding as of June 30, 2010 and December 31, 2009, respectively	-	-
Preferred series A stock, \$0.001 par value, 750,000 shares authorized no shares issued and outstanding as of June 30, 2010 and December 31, 2009, respectively	-	-

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Preferred series C stock, \$0.001 par value, 1,000,000 shares authorized, 17,860			
shares issued and outstanding as of June 30, 2010 and December 31, 2009, respectively	-		-
Preferred series D stock, \$0.001 par value, 1,000 shares authorized, no shares issued			
and outstanding as of June 30, 2010 and December 31, 2009, respectively	-		-
Preferred series E stock, \$0.001 par value, 1,000,000 shares authorized, 720,000 and			
932,616 shares issued and outstanding as of June 30, 2010 and December 31, 2009, respectively	720		932
Common stock, \$0.001 par value, 1,750,000,000 shares authorized, 94,995,553 and			
76,652,239 shares issued and outstanding as of June 30, 2010 and December 31, 2009, respectively	94,996		76,652
Additional paid in capital	19,624,496		18,754,500
Accumulated (deficit)	(17,099,997)		(17,545,226)
Total stockholders equity	2,620,215		1,286,858
Total liabilities and stockholders equity	\$ 4,520,186	\$	4,324,237

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

InstaCare, Corp.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three-months Ended June 30,		Six-months Ended June 30,	
	2010	2009	2010	2009
Revenue	\$ 5,253,740	\$ 5,105,981	\$ 9,380,532	\$ 10,164,716
Cost of sales	4,716,317	4,757,860	8,456,882	9,540,057
Gross profit	537,423	348,121	923,650	624,659
Expenses:				
General & administrative	79,557	94,303	161,536	136,994
Consulting	81,000	17,373	151,535	49,757
Payroll expense	13,500	69,389	23,850	81,547
Professional fees	40,368	54,078	61,865	60,014
Total expenses	214,425	235,143	398,786	328,312
Net operating income	322,998	112,978	524,864	296,347
Other income (expense):				
Financing costs	(47,048)	(74,657)	(75,173)	(104,555)
Interest expense	(9,192)	(57,028)	(41,508)	(114,141)
Other income	3,000	-	3,000	-
Debt Forgiveness	6,983	1,329,690	34,046	1,329,690
Total other income (expense)	(46,257)	1,198,005	(79,635)	1,110,994
Net income	276,741	1,310,983	445,229	1,407,341
Add: Dividends declared on preferred	-	-	-	-
Income available to common shareholders	\$ 276,741	\$ 1,310,983	\$ 445,229	\$ 1,407,341
Weighted average number of common shares outstanding-basic and fully diluted	90,385,118	52,450,667	86,951,548	49,989,765
Net income per share basic and fully diluted	\$ 0.00	\$ 0.02	\$ 0.01	\$ 0.03

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

instaCare, Corp.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the Six-months Ended June 30,	
	2010	2009
Cash flows from operating activities		
Net income	\$ 445,229	\$ 1,407,341
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Shares issued for services	46,250	78,100
Shares and warrants issued for financing	62,424	94,135
Shares issued for interest	8,562	-
Gain on debt settlement	(34,046)	(1,329,689)
Amortization of share-based compensation	46,113	-
Amortization of loan fees	12,750	10,421
Changes in operating assets and liabilities:		
Accounts receivable	(379,271)	(804,008)
Inventory	(97,435)	294,618
Prepaid expenses	394,705	(6,527)
Accounts payable	(15,437)	801
Accrued liabilities	(96,220)	203,595
Accrued interest	12,623	101,786
Net cash provided by operating activities	406,247	50,573
Cash flows (used) in investing activities		
Intellectual property	(9,950)	-
Net cash (used) by investing activities	(9,950)	-
Cash flows from financing activities		
Proceeds (payments), line of credit	(377,388)	49,696
Proceeds from note payable related party	-	50
Payments on notes payable	(13,047)	-
Payments on convertible note payable	(75,000)	-
Options exercised for cash	232,000	-
Net cash (used) by financing activities	(233,435)	49,746
Net increase in cash	162,862	100,319
Cash beginning	239,302	111,208
Cash ending	\$ 402,164	\$ 211,527
Supplemental disclosures:		
Interest paid	\$ 18,074	10,714
Income taxes paid	\$ -	-
Non-cash transactions:		

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Shares issued for services	\$	46,250	\$	78,100
Shares and warrants issued for financing activities	\$	62,424	\$	94,135
Shares issued for debt conversion	\$	572,939	\$	17,500
Gain on settlement of debt	\$	34,046	\$	1,329,689

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

InstaCare, Corp.

Notes to Condensed Consolidated Financial Statements

Note 1 Basis of presentation and accounting policies

Basis of Presentation

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

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated interim financial statements be read in conjunction with the consolidated financial statements of the Company for the period ended December 31, 2009 and notes thereto included in the Company's Form 10-K. 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.

Accounting Standards Updates

In August 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-21 (ASU 2010-21), *Accounting for Technical Amendments to Various SEC Rules and Schedules: Amendments to SEC Paragraphs Pursuant to Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies*. The Company does not expect the provisions of ASU 2010-21 to have a material effect on the financial position, results of operations or cash flows of the Company.

In July 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-20 (ASU 2010-20), *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. The amendments in this Update are to provide financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables. The disclosures about activity that occurs during the reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. The Company does not expect the provisions of ASU 2010-20 to have a material effect on the financial position, results of operations or cash flows of the Company.

In May 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-19 (ASU 2010-19), *Foreign Currency (Topic 830): Multiple Foreign Currency Exchange Rates*. The amendments in this Update are effective for reported balances in an entity's financial statements that differ from their underlying U.S. dollar denominated values under Subtopic 830-30-S99-1 occurring in the first interim or annual period ending on or after March 15, 2010. The amendments are to be applied retrospectively. The Company does not expect the provisions of ASU 2010-19 to have a material effect on the financial position, results of operations or cash flows of the Company.

In April 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-18 (ASU 2010-18), *Receivables (Topic 310): Effect of a Loan Modification When the Loan is Part of a Pool That Is Accounted for as a Single Asset-a consensus of the FASB Emerging Task Force*. The amendments in this Update are effective for modifications of loans accounted for within pools under Subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. The amendments are to be applied prospectively. Early application is permitted. The Company does not expect the provisions of ASU 2010-18 to have a material effect on the financial position, results of operations or cash flows of the Company.

In April 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-17 (ASU 2010-17), *Revenue Recognition-Milestone Method (Topic 605): Milestone Method of Revenue Recognition*. The amendments in this Update are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted. If a vendor elects early adoption and the period of adoption is not the beginning of the entity's fiscal year, the entity should apply the amendments retrospectively from the beginning of the year of adoption. The Company does not expect the provisions of ASU 2010-17 to have a material effect on the financial position, results of operations or cash flows of the Company.

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In April 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-16 (ASU 2010-16), *Entertainment-Casinos (Topic 924): Accruals for Casino Jackpot Liabilities-a consensus of the FASB Emerging Issues Task*. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2010. The amendments should be applied by recording a cumulative-effect adjustment to opening retained earnings in the period of adoption. The Company does not expect the provisions of ASU 2010-16 to have a material effect on the financial position, results of operations or cash flows of the Company.

In April 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-15 (ASU 2010-15), *Financial Services-Insurance (Topic 944): How Investments held through Separate Accounts Affect an Insurer's Consolidation Analysis of Those Investments-a consensus of the FASB Emerging Issues Task Force*. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2010. Early adoption is permitted. The amendments in this Update should be applied retrospectively to all prior periods upon the date of adoption. The Company does not expect the provisions of ASU 2010-15 to have a material effect on the financial position, results of operations or cash flows of the Company.

In April 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-14 (ASU 2010-14), *Accounting for Extractive Activities - Oil & Gas - Amendments to Paragraph 932-10-S99-1 (SEC Update)*. The Amendments are designed to modernize and update the oil and gas disclosure requirements to align them with current practices and changes in technology. The Company does not expect the provisions of ASU 2010-14 to have a material effect on the financial position, results of operations or cash flows of the Company.

In April 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-13 (ASU 2010-13), *Compensation-Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades - a consensus of the FASB Emerging Issues Task Force*. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. Earlier application is permitted. The Company does not expect the provisions of ASU 2010-13 to have a material effect on the financial position, results of operations or cash flows of the Company.

In April 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-12 (ASU 2010-12), *Income Taxes (Topic 740): Accounting for Certain Tax Effects of the 2010 Health Care Reform Acts*. After consultation with the FASB, the SEC stated that it would not object to a registrant incorporating the effects of the Health Care and Education Reconciliation Act of 2010 when accounting for the Patient Protection and Affordable Care Act. The Company does not expect the provisions of ASU 2010-12 to have a material effect on the financial position, results of operations or cash flows of the Company.

Note 2 Going concern

The company has an accumulated deficit of \$17,099,997 as of June 30, 2010. These accumulated loss conditions have raised substantial doubt about our ability to continue as a going concern. Although our recent growth has greatly improved cash flows, and we generally meet our obligations on a monthly basis, we, nonetheless need to obtain additional financing to provide working capital for growth and to better manage our operations. Management is seeking additional financing, and may also consider a merger or acquisition candidate. We intend to acquire interests in various business opportunities, which in the opinion of management, will assist in our profitability. Our recent agreements for the exclusive distribution of the Genstrip is one such business opportunity. Management believes these efforts will generate sufficient cash flows from future operations to meet our obligations and working capital needs. There is no assurance any of these transactions will occur. These financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should we be unable to continue as a going concern.

Note 3 Notes payable

Notes payable consisted of the following:

	June 30, 2010	December 31, 2009
(a) Convertible promissory note, bearing interest at 1.25% per month, matured on October 31, 2007, currently in default.	\$ 145,000	\$ 170,000
(b) Promissory note, bearing interest at 12% per annum, Matured July 31, 2006, currently in default.	-	130,000
(c) Convertible promissory note, bearing interest at 1.5% Monthly, matured December 31, 2007, currently in default.	-	200,000
(d) Promissory note, bearing interest at 18% per annum, matured June 30, 2009, currently in default.	-	75,000
(e) Promissory note, bearing interest at 9% per annum, maturing June 20, 2010.	78,745	91,793
(f) Line of credit, with interest being paid in shares equal to 5% of each advance.	1,216,178	1,593,566
Total notes payable	1,439,923	2,260,359
Less current portion	1,439,923	2,260,359
Total long-term notes payable	\$ -0-	\$ -0-

a)

In 2005, our former CEO determined that it was in the best interests of the company to borrow funds by offering a series of convertible promissory notes to private investors. The principal sum of these notes was \$170,000. Pursuant to these notes, we agreed to pay these note holders the principal balance plus accrued interest at an annual rate of 15% maturing in one year from the date of issuance. Our former CEO employed the services of a sales agent and paid this agent certain fees in 2005 and 2006. On March 30, 2010 after a dispute arose, we entered into a debt settlement agreement with the one investor for the payment of his principal balance of \$25,000 and accrued interest of \$15,938 for a total amount owed of \$40,938. Pursuant to the settlement agreement, we issued 300,000 shares of our common stock valued at \$34,500 and agreed to pay an additional \$15,000 in cash to the investor for a total sum of \$49,500. The excess payment of \$8,562 was recorded as interest expense. As of June 30, 2010, the remaining principal balance owed to the remaining investors was \$145,000 with accrued interest of \$100,313.

b)

On May 23, 2006, we entered into a promissory note with Dennis Cantor and Novex International for the principal amount of \$255,000. Pursuant to the note we promised to pay Dennis Cantor and Novex International the sum of \$255,000 together with interest at a rate of one half of one percent (0.5%) every ten days beginning on May 23, 2006 and running through the maturity date of June 30, 2006. In the case of a default in payment of principal, all overdue amounts under the note shall bear a penalty obligation at a rate of twelve percent (12%) per annum accruing from the maturity date. On July 1, 2006, we extended the note to July 31, 2006. We have made principal payments of \$125,000. As of June 30, 2010, the remaining principal balance was \$130,000 and accrued interest totaled \$70,938. On April 16, 2010 the note holder and the company agreed to a note conversion whereby we issued 1,939,543 shares of our common stock valued at \$193,955 for full payment of the principal balance and accrued interest of \$200,938. We recorded a gain on debt settlement in the amount of \$6,983.

c)

On July 17, 2006, we entered into a convertible loan payment agreement with Wayne G. Knapp wherein Mr. Knapp agreed to loan the Company the sum of \$200,000. The loan is for 120 days. On October 17, 2006, we renewed the note. On January 17, 2007, the parties verbally agreed to a renewal that expires on May 16, 2007. The note accrues monthly interest at a rate of 1.50% and the interest is payable quarterly in cash. The total amount owing pursuant to the agreement, was convertible at the option of Mr. Knapp at any time from July 17, 2006 until November 30, 2006, at the strike price equal to \$0.32 per share or 90% of the final bid price of our common stock on the day prior to conversion with a floor price of \$0.10 per share. We renewed Mr. Knapp's conversion option on January 17, 2007. In addition, we issued Mr. Knapp a warrant to purchase 50,000 shares of our common stock at \$0.32 per share through December 31, 2009. Mr. Knapp exercised his option on March 30, 2007. On March 8, 2010, we entered into a Settlement Agreement and Mutual Release with Mr. Knapp. Pursuant to the agreement we issued 2,900,000 shares of our common stock valued at \$319,000 as full settlement of this debt. As of June 30, 2010, we have recorded \$13,000 in debt forgiveness representing the difference between the fair value of shares issued and the principal amount owed plus accrued interest of \$332,000.

d)

In March 2008, we entered into a Convertible Promissory Note Purchase Agreement with Cragmont Capital, LLC (Cragmont) wherein Cragmont agreed to loan the Company an aggregate sum of \$250,000. A single loan was made for \$75,000. Cragmont contends the loan was for one year, maturing on February 28, 2009. The total amount owing pursuant to the agreement, was convertible at the option of the lender, at a strike price equal to \$0.015 per share.

Further, we agreed subject to certain conditions to issue 100 warrants with a strike price of \$0.03 expiring on December 31, 2010 for every dollar loaned by Cragmont. The warrant transaction was conditioned upon Cragmont purchasing the warrant at closing. No agreement was ever reached with Cragmont as to the purchase price for the warrants, and they were never purchased by Cragmont at the closing. During the year ended December 31, 2008, we terminated our relationship with Cragmont. On March 10, 2010, we issued payment in the amount of \$75,000 to Cragmont, representing the return of partial funding pursuant to our rescission of the March 1, 2008 agreement.

e)

On June 20, 2007, we entered into a promissory note with Invacare for the principal amount of \$160,385, bearing interest at a rate of 9% per annum and maturing on June 10, 2010. Pursuant to the terms of the note, we are required to make monthly principal and interest payments of \$3,300. As of June 30, 2010, the remaining principal balance was \$78,745.

f)

On November 17, 2007, we entered into an agreement with Centurion Credit Resources, LLC to secure a \$1,000,000 revolving credit facility geared specifically to our business. On November 10, 2009, we renewed our line of credit for an additional one-year term with Centurion through an Amended and Restated Promissory Note . Pursuant to the renewal terms, Centurion has increased our line of credit from \$1,000,000 to \$2,000,000 with periodic limited

increases of \$250,000 to a maximum of \$2,500,000. Further, pursuant to the terms of the agreement, we agreed to issue 60,000 shares of our preferred Series E stock as a renewal fee valued at \$25,500. In addition, the terms of the loan agreement require us to issue 720,000 shares of our preferred Series E as prepaid financing fees. During the six-months ended June 30, 2010, we have drawn down \$7,514,768 and repaid \$7,137,380. As of June 30, 2010, the balance owed was \$1,216,178.

We have recorded interest and financing expense totaling \$56,240 and \$131,685 for the three-months ended June 30, 2010 and 2009, respectively and \$116,681 and \$218,696 for the respective six-month period.

Note 5 Stockholders equity

Common stock

We are authorized to issue up to 1,750,000,000 shares of \$0.001 par value common stock.

Preferred stock

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

Series A convertible preferred stock

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

Series C convertible preferred stock

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

Series D convertible preferred stock

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

Series E convertible preferred stock

Holders of series E : convertible stock shall not have the right to vote on matters that come before the shareholders. Series E convertible preferred stock may be converted, the number of shares into which one share of Series E Preferred Stock shall be convertible into common stock shares shall be 50. Series E convertible stock shall rank senior to common stock in the event of liquidation. Holders of Series E convertible stock shall not be entitled to a mandatory monthly dividend. Series E convertible stock shall have a redemptions price equal to 101% of the purchase price per share, subject to adjustments resulting from stock splits, recapitalization, or share combination.

During the six-months ended June 30, 2010, Centurion elected to convert a total of 147,300 shares of their Preferred Series E stock in exchange for 7,365,000 shares of our common stock.

We authorized the issuance of 30,416 shares of our common stock to Centurion as financing fees in connection with our line of credit. As of June 30, 2010, 4,753 remained unissued. In addition, Centurion drew down 115,200 shares of our prepaid Series E preferred shares representing the balance of fees due for our financing activities. As of June 30, 2010, we recorded financing costs of \$62,424 representing the fair value of all shares authorized. On July 19, 2010, the unissued shares totaling 4,753 were issued.

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During the six-months ended June 30, 2010, we issued 475,000 shares of our restricted common stock to various individuals for services performed for the Company. As of June 30, 2010, we have recorded consulting expense of \$46,250, the fair value of the shares.

On January 15, 2010, three of our consultants elected to exercise 4,500,000 options for cash totaling \$207,000. Pursuant to the request for exercise, we issued 4,500,000 shares of our common stock.

On March 8, 2010, we authorized the issuance of 2,900,000 shares of our restricted common stock to a note holder pursuant to a Settlement and Mutual Release Agreement . The fair value of the shares issued totaled \$319,000 and represented payment in-full of the principal sum of \$200,000 and accrued interest of \$132,000. The difference between the fair value of the issuance, \$319,000 and the total amount owed, \$332,000, has been recorded as a gain on debt settlement in the amount of \$13,000 (See Note 3). The shares were subsequently issued on April 6, 2010.

On March 29, 2010, we authorized the issuance of 300,000 shares of our restricted common stock to a note holder pursuant to a Settlement and Mutual Release Agreement . The fair value of the shares issued totaled \$34,500 and represented partial payment of the total amounts owed (See Note 3). The shares were subsequently issued on April 16, 2010.

On April 16, 2010, we authorized the issuance of 1,939,543 shares of our restricted common stock to a note holder pursuant to a Settlement and Mutual Release Agreement . The fair value of the shares issued totaled \$193,954 and represented payment in-full of the principal sum of \$130,000 and accrued interest of \$70,938. The difference between the fair value of the issuance, \$193,955 and the total amount owed, \$200,938, has been recorded as a gain on debt settlement in the amount of \$6,983 (See Note 3).

On April 27, 2010, we issued 833,335 shares of our common stock for cash of \$25,000 pursuant to the exercise of warrant.

Note 4 Options and warrants

Options

2004 Stock Option Plan

Effective April 21, 2004, we adopted the 2004 Stock Option Plan, as amended, with a maximum number of 6,312,500 shares that may be issued. As of June 30, 2009, 6,302,497 options have been granted, and exercised under this plan.

2005 Merger Consolidated Stock Option Plan

On February 5, 2005, we adopted our 2005 Merger Consolidated Stock Option Plan. The maximum number of shares that may be issued pursuant to the plan is 1,125,000 shares. As of June 30, 2010, 882,295 shares have been granted and exercised under this plan.

2006 Stock Option Plan

On December 8, 2006 we adopted our 2006 Employee Stock Option Plan and granted incentive and nonqualified stock options with rights to purchase 1,500,000 shares of our \$0.001 par value common stock. On August 24, 2006, we authorized an increase of 4,000,000 shares to the plan and subsequently on December 18, 2009, we authorized an additional increase of 10,000,000 shares to the plan for a total plan allocation of 15,500,000 shares. As of June 30, 2010, 14,499,997 options were granted and exercised under this plan.

During the year ended December 31, 2009, we issued options to purchase up to 5,859,130 shares of par value common stock at a weighted average exercise price of \$0.055 per share for various consulting services received. We recorded an expense in the amount of \$49,803 the fair value of the options using the Black-Scholes pricing model. As of December 31, 2009, 1,359,130 options were exercised in exchange for cash in the amount of \$74,502 and 4,500,000 remained unexercised. As of June 30, 2010, the remaining 4,500,000 options were exercised for cash in the amount of \$207,000.

The following is a summary of activity of outstanding stock options under the 2006 Stock Option Plan as of June 30, 2010:

Number Of Shares	Weighted Average Exercise Price
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Balance, January 1, 2010	\$	4,500,000	\$	0.055
Options granted		-		-
Options cancelled		-		-
Options exercised		(4,500,000)		0.055
Balance, June 30, 2010	\$	-	\$	-
Exercisable, June 30, 2010	\$	-	\$	-

Warrants

During the year ended December 31, 2007, we issued warrants to purchase up to 1,233,340 shares of par value common stock at a weighted average exercise price of \$0.06 per share for various services. We recorded an expense in the amount of \$37,620 the fair value of the warrants using the Black-Scholes pricing model. On April 27, 2010, a holder of a warrant to purchase 833,335 shares of our common exercised their option for cash in the amount of \$25,000.

On January 11, 2008, we issued 400,000 warrants with an exercise price of \$0.078 per share for consulting services. The warrants expire on December 31, 2010. The fair market value of the warrants based on the Black-Scholes model is \$12,853 using the following assumptions: Strike Price \$0.078; Stock Price \$0.04; Volatility 167%; Term 2.75 years; Dividend Yield 0%; Interest Rate 2.61%.

On March 1, 2008, pursuant to a Note and Purchase Agreement with Cragmont Capital, LLC (Cragmont) the company offered Cragmont the opportunity to purchase a warrant, which would have enabled Cragmont the right to purchase up to 7,500,000 shares of our common stock at an exercise price of \$0.03 per share in exchange for cash. Cragmont did not purchase the warrant at the closing, which the Agreement required that it do, and therefore, the warrant remained unissued. In the period ending June 30, 2009, anticipating Cragmont's purchase of the warrant we expensed the fair value of the warrants based on the Black-Scholes model as \$62,501 using the following assumptions: Strike Price \$0.03; Stock Price \$0.00; Volatility 171%; Term 2.75 years; Dividend Yield 0%; Interest Rate 1.87%. In May of 2008, we severed our relationship with Cragmont as a result of their inability to meet the parallel funding commitments they had agreed to. InstaCare has rescinded its agreement with Cragmont based on a failure to perform as agreed. The rescission is evidenced in part by the full return of the partial funding in the amount of \$75,000.

The following is a summary of activity of outstanding warrants as of June 30, 2010:

	Number Of Shares	Weighted Average Exercise Price
Balance, January 1, 2010	\$ 9,133,340	\$ 0.04
Warrants granted	-	-
Warrant opportunity rescinded ⁽¹⁾	(7,500,000)	0.03
Warrants exercised	833,335	0.03
Balance, June 30, 2010	\$ 800,005	\$ 0.08
Exercisable, June 30, 2010	\$ 800,005	\$ 0.08

(1) Warrant opportunity rescinded due to non-payment and rescission of underlying agreement for non-performance.

Note 5 Commitments and Contingencies

Leases

We currently maintain an executive office at 2660 Townsgate Road, Suite 300, Westlake Village, California 91361. This space consists of approximately 2,300 square feet with a monthly rental fee of \$4,170. On June 7, 2005, PDA Services Inc. and Pharma Tech Solutions, Inc entered into an agreement for the right to use approximately 4,000 square feet of office, warehouse and shipping facilities for the storage and shipping of pharmaceuticals located at 515 Inman Avenue, Colonia, NJ 07067 and 25 Minna Street, Rahway, 07065.

Rent expense amounted to \$61,991 and \$62,580 for the six-months ended June 30, 2010 and 2009, respectively.

Contingencies

Given the nature and liability of our industry, we periodically review our litigation contingencies that may result from damaged product, product liability and the related legal fees. As of June 30, 2010, we have \$205,500 accrued for these contingencies.

Note 6 Subsequent events

On July 19, 2010, we issued 4,753 previously authorized shares, of our common stock to Centurion for June 2010, financing fees.

On July 19, 2010, Centurion elected to convert 10,000 shares of their Series E preferred stock into 500,000 shares of our common stock.

On August 3, 2010, we issued 614 shares of our common stock to Centurion for July 2010 financing fees.

On August 3, 2010, we issued 60,000 shares of our common stock to three individuals for services to the Company.

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 or belief; and any statements of assumptions underlying any of the foregoing.

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

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

.
increased competitive pressures from existing competitors and new entrants;

.
increases in interest rates or our cost of borrowing or a default under any material debt agreements;

.
deterioration in general or regional economic conditions;

.
adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;

.
loss of customers or sales weakness;

.
inability to achieve future sales levels or other operating results;

.
the unavailability of funds for capital expenditures and/or general working capital;

.
operational inefficiencies in distribution or other systems;

.
our ability to recruit and hire key employees;

.
the inability of management to effectively implement our strategies and business plans; and

.
the other risks and uncertainties detailed in this report.

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 Risk Factors in this document and in our Annual Report on Form 10-K for the year ended December 31, 2009.

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

Overview of Current Operations

instaCare Corp., through its subsidiary companies, is a nationwide prescription and non-prescription diagnostics and home testing products distributor. Diagnostic test kits and at-home patient testing products are regulated by the U.S. FDA similarly to pharmaceuticals, but for the most part do not require a doctor's prescription for anything other than insurance benefit compliance. Our subsidiaries, Pharma Tech Solutions, Inc., Pharmtech Direct Corp. and PDA Services, Inc. operate individually in several separate healthcare products distribution channels. We distribute brand name prescription and non-prescription diagnostics products as well as several lines of ostomy, wound care and post-surgery medical products. The company directs its marketing efforts to ambulatory and semi-ambulatory older Americans afflicted with diabetes and complications caused by diabetes and old age. The company, originally a medical IT company with proprietary IT product lines, acquired its medical products distribution business in late 2004 through a merger with Phoenix, Arizona based CareGeneration, Inc. We have grown the original CareGeneration

business through subsequent acquisitions of private businesses and strategic partnerships with larger private pharmacies. We intend to acquire additional private companies in this industry to achieve our goal of becoming a full service value added DME provider of wide range of medical products and services.

In March 2010 we agreed to assist in a process that would bring various alternative at-home patient testing products to the U.S. market, thereby employing our growing distribution muscle to alternative diagnostic products that would service an almost \$10 billion diabetes testing market with product(s) that provide a substantial cost advantage. We have concluded three party agreements that grant the company's Pharma Tech Solutions, Inc. subsidiary a five year term for the exclusive distribution of these products.

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

We have entered into six partnerships with free-standing pharmacies in the states of New York, Maryland, New Jersey and Arizona. We believe that we will be able to provide value added services to our customers by cost reductions brought about by increased efficiencies and cross marketing opportunities.

We have received seven inquiries from companies interested in partnering with the company for the implementation of its cell phone centric technologies MD@Hand and MD@Work. The interested companies range from clinical testing laboratories, service organizations owned or aligned with medical health insurers, a medical content provider and legacy healthcare systems companies. All seven companies are much larger than instaCare. We have chosen one of these companies as a proposed partner and are in wide ranging discussions. We plan at least one additional proposed partnership.

From April 1, 2005 through November 15, 2009, we focused our business attention toward providing prescription and non-prescription diagnostics, at-home testing and medical/surgical products through several medical distribution channels. Our secondary business objective has been to provide medical information technology (IT) for use with Internet-based communication, and network software systems and applications, that originally resided and functioned through Microsoft Windows CE-Based PDAs (Personal Data Assistants), which are popular and commonly available from most major computer brand name companies such as Sony, Dell, IBM and Palm -to the medical fields and the lodging industries. In May 2009, the company began the port of its technologies and software from the PDA based products to late generation smart cell phones. This re-development was completed November 12, 2009. Subsequently the company filed patent applications in February 2010 to secure its latest product developments.

The company's business on a day-to-day basis includes the distribution of prescription and non--prescription diagnostics, at-home testing, post-surgical products. We are also gearing up for the launch of the first alternative at-home diagnostic product, expected in 3rd quarter 2010. In June 2010 the company executed a five year exclusive agreement with and among Shasta Technologies, LLC and Broadtree, Inc. for the exclusive distribution of this at-home diagnostic product. The product has been given the trade name of Genstrip.

Beginning in November 2009, we introduced our cell-phone centric medical IT products that offer solutions in medical care and management by providing physicians with information at the point of care. Unlike other medical

information systems using standard computer terminals or even palm-sized computers (PDA's), our software applications operate on a series of late generation smart cell phones including the Apple iPhone, the Palm Pre, the Google Droid, several makes of RIM's Blackberry and many versions of the Microsoft Windows smart phones. Our products allow physicians to carry, access and update their patients' histories, medication data, and best care guidelines - *all at the point of care*. The company's Electronic Medical Records software is believed to be the first EMR application running on any palm sized mobile device.

We also have adapted our medical communications and EMR technologies to service the real estate management and hotel/motel/convenience industries in their own commercial settings. In March 2010, the Board approved the sale of the company's hotel/motel technologies and business base so we can focus on our core medical IT business. In the past, our real estate and hotel/motel objectives included building electronic commerce networks based on personal digital assistants (PDA) and pad based computers to the hotels, motels and single building, multi-unit apartment buildings with a desire to offer local advertising and electronic services to their tenants/guests.

Prescription and Non-prescription Diagnostics

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

Our retail prescription and non-prescription diagnostics business maintains three operating units:

1. Licensed wholesale prescription drug distribution business, where we deliver bulk prescription drugs on a wholesale basis to clients;
2. Licensed distribution of diabetes diagnostics and supplies, where we deliver diabetic testing strips and associated diagnostic products under several business models; and
3. Licensed distribution of diabetes diagnostics and supplies, where we will deliver our new alternative method diabetic testing strips and associated diagnostic products under several business models.

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

Medical Field Applications

Our medical technologies are grounded in the central need/desire to furnish the practicing physician with crucial point-of-care patient information and historical patient medical information using electronic medical records rapidly and reliably via a smart cell phone. The technologies utilize the power of the Internet to move large amounts of data to and from a variety of platforms securely via a number of commercially available smart cell phones, designed for portability and upgradeability. Compliant with the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the regulations that have since been promulgated, and data transmission and data management protocols that have emerged, this smart cell phone technology offers real-time point of care applications and EMR via proprietary technologies that allow for patient medical data for ten years or more on the cell phone itself.

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

Medical field distribution methods

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

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

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

Medical field competition

The medical industry is highly competitive in the attraction and retention of physician customers, insurers, government agency payers /sponsors and other medical providers. The number of competing companies and the size of such companies vary in different geographic areas. Generally, we are in competition with other smart cell phone technology companies that offer medically related software suites, with the most effective competition coming from companies that possess greater capital resources, have longer operating histories, larger customer bases, greater name recognition and significantly greater financial, marketing and other resources than do we.

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

1. Large publicly traded companies.
2. PDA technology-based companies.

These companies, and others, offer products and services similar to ours: only delivering older PDA based data management to physicians. There can be no assurance that we will be able to compete successfully against current and future competitors, and competitive pressures faced by us may have a material adverse effect on our business, prospects, financial condition and results of operations. Further, as a strategic response to changes in the competitive environment, management may from time to time make certain pricing, service or marketing decisions or acquisitions that could have a material adverse effect on our business, prospects, financial condition and results of operations.

Seasonality

The distribution of medical products and medical diagnostics in aggregate account for the overwhelming percentage of our revenues. Our experiences point to a business that displays certain seasonal trends. In each of the last three operating years our order intake was concentrated in the first five months of the calendar year and to an identifiable degree in the months of October and November. One explanation is that these months correspond with the beginning of a prescription drug plan years, October and November being the first two months of the federal Medicare formularies, where new prescription drug cards are distributed by Medicare to their enrollees in Medicare Advantage, and again in the months of January and February where private insurers provide their new prescription cards along with new plan formularies (price schedules). This tends to influence stocking up buying/ordering behavior on the part

of the patients who routinely order multi-month supplies. The company believes that the seasonal trends in calendar year 2010 will be further influenced by the launch of its new at-home diagnostic testing product, Genstrip, as sales of this new product will begin in October 2010.

Results of Operations for the three-months ended June 30, 2010 and 2009 compared.

The following tables summarize selected items from the statement of operations for the three-months ended June 30, 2010 compared to the three-months ended June 30, 2009.

INCOME:

	For the three-months ended		Increase (Decrease)	
	2010	June 30, 2009	\$	%
Revenue	\$ 5,253,740	\$ 5,105,981	\$ 147,759	3%
Cost of Sales	4,716,317	4,757,860	(41,543)	(1%)
Gross Profit	537,423	348,121	189,302	54%
Gross Profit Percentage of Sales	10%	7%		

Revenue and cost of sales

We recognized a slight increase in revenue and a 1% reduction in our cost of sales over the previous year's comparable period. The revenue increase of \$147,759, and decrease in cost of sales of \$41,543, allowed for an overall increase in our gross profit margin of 54%. We have concentrated our efforts on establishing relationships with new suppliers in an effort to increase our profit margins. For the three-months ended June 30, 2010, we were able to increase our gross profit margin 3% through these efforts.

EXPENSES:**For the Three-months Ended**

	June 30,		Increase / (Decrease)	
	2010	2009	\$	%
	Amount	Amount		
Expenses:				
General & administrative expenses	\$ 79,557	\$ 94,303	\$ (14,946)	(16%)
Consulting services	81,000	17,373	63,627	366%
Payroll expense	13500.	69,389	(55,889)	(81%)
Professional fees	40,368	54,078	(13,710)	(25%)
Total expenses	214,425	235,143	(20,718)	(9%)