

instaCare Corp.
Form SB-2/A
July 18, 2005

As filed with the Securities and Exchange Commission on July 15, 2005
Registration No. 333-101562

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Amendment 6)

FORM SB-2/A

REGISTRATION STATEMENT

Under
The Securities Act of 1933

INSTACARE CORP.
(Name of Small Business Issuer in Its Charter)

7371
(Primary Standard Industrial Classification Code Number)

2660 Townsgate Road, Suite 300

Westlake Village, CA 91361

91-2105842

Nevada

(805) 446-1973

(State of Jurisdiction of
Incorporation or Organization)

(Address, and Telephone
Number of

(I.R.S. Employer
Identification Number)

Principal Executive Offices

and Principal Place of Business)
Corporate Agents of Nevada

8275 South Eastern Avenue, Suite 119 Las Vegas, NV 89123 (702) 400-9973

(Name, Address, and Telephone Number of Agent for Service)

Copies of Communications to:

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Law Offices of Thomas C. Cook, Ltd.
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Approximate date of commencement of proposed sale to the public:

From time to time after this registration statement becomes effective.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933 (the "Securities Act"), check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If the delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

If any of the securities being registered on this form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. X

CALCULATION OF REGISTRATION FEE

Title of Each Class Of Securities To Be Registered	Number of Shares To Be Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock	518,000,000	\$0.0120	\$6,216,000	\$1,219.37

1. Estimated solely for purposes of calculating the registration fee pursuant to Rule 457. Represents the maximum amount of shares of our common stock that we will be required to register in accordance with our Merger Agreement as well as shares issued and distributed pursuant to consulting agreements, note conversions, and shares underlying notes and warrant conversions.
2. Represents the average closing bid price of our common stock as of July 15, 2005.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state in which the offer or sale is

not permitted.

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Subject to Completion, Dated July 15, 2005

PROSPECTUS

INSTACARE CORP.

518,000,000 Shares of Common Stock

This prospectus relates to the registration of up to 518,000,000 shares of our common stock ("instaCare Corp." or "instaCare".) Of these shares, 400,000,000 are being registered for the benefit of Mercator Advisory Group LLC and its affiliated funds, as shares that underlie the conversion preference of instaCare's Series "C" Convertible Preferred Stock. We seek to register 300,000,000 common shares that underlie the Preferred shares and 100,000,000 common shares that underlie warrants. Some or all of these 400,000,000 shares may be issued according to the terms of the conversion preference of instaCare's Series "C" Convertible Preferred Stock and the exercise of instaCare's common stock purchase warrants.

In addition, instaCare desires to register the 99,000,000 common stock shares it has placed in escrow, as collateral and for conditioned conversion rights owing to a promissory note and its renewal agreements with Pinnacle Investment Partners, LP. instaCare also seeks to register 19,000,000 shares that have been issued to Pinnacle Investment Partners, LP and CJR Capital, Inc. pursuant to loan fees, loan renewal agreements and finders fees that resulted from the transaction involving the promissory note and its renewals with Pinnacle Investment Partners, LP.

There is no minimum number of shares that must be sold in this offering. instaCare has received the proceeds from the sale of the preferred stock and promissory note. Although we will not receive any of the proceeds from sales of the common stock by the selling stockholders under this prospectus. We only seek to have registered the shares for the benefit of the stockholders. To the knowledge of instaCare, the stockholders have not made any arrangements with any brokerage firm, underwriter or agent for the sale of the shares of common stock.

Our common stock is quoted on the OTC Bulletin Board ("OTCBB") under the symbol INCA but it is not listed on a national securities exchange. The latest per share price, based on the average of the bid and asked price as of July 15, 2005, was \$0.02 per share.

Investing in the common stock involves a high degree of risk, which is described in the "Risk Factors" beginning on page 7 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is July 15, 2005.

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Prospectus Summary

This summary highlights selected information contained elsewhere in this prospectus. It does not contain all of the information you should consider before investing in instaCare's common stock. You should carefully consider all information contained in this prospectus and particularly the section on Risk Factors set forth below before investing in the shares of common stock we seek to register under this prospectus.

instaCare Corp.

instaCare Corp., a Nevada corporation, was formed in July 2000 as Promedicius, Inc., a Nevada Corporation, with a principal business objective of providing services to medical practitioners. In 2001, ATR Search Corp., a developmental stage company, was formed with a principal business objective to place part-time, temporary or project oriented workers and contractors that had specific and hard to find information technology skills required by large businesses. In June 2001, Promedicius, Inc. changed its name to Medicius, Inc. In June 2002, ATR Search Corp. merged with Medicius, Inc. Medicius, at that time, had a principal business objective to offer physicians, licensed medical service providers such as diagnostic testing laboratories, and medical insurers Internet enhanced, wireless ("Wi-Fi") information technology and data management technology (IT).. After the merger, we changed our name to CareDecision Corporation. On April 14, 2005 we changed our name from CareDecision Corp. to instaCare Corp . Subsequently, we have pursued the following business:

- 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;
- b. Building electronic commerce networks based on personal digital assistants (PDA) to the hotels, motels and single building, multi-unit apartment buildings with a desire to offer local advertising and electronic services to their tenants/guests; and
- c. Providing the cable and wireless communication industries and media enterprises with networks of personal digital assistant (PDA) technologies that link field-based installation and repair personnel with central offices for the exchange of customer order and subscription information.

On August 4, 2004 instaCare received a proposal for a possible merger with two private shareholder owned corporations based in Scottsdale, Arizona. These companies, both controlled by Mr. Ronald R. Kelly, are:

1. 1. Futurecom Global, Inc. ("FCG"), a Nevada corporation, founded in 1998 is a distributor of personal digital assistant (PDA) products and technologies and which also has interests in the pre-paid cellular and pre-paid cash card markets.
2. 2. CareGeneration, Inc. ("CGI"), a Nevada corporation, founded in February 2004, a newly organized distributor of prescription drugs at the wholesale and retail levels. At the time of the proposal CGI had recently acquired certain assets, rights, customer lists and transfers of certain license(s) that had been the foundation of the wholesale prescription drug business unit of Kelly Company World Group, Inc., a Delaware corporation.

On August 16, 2004 we completed a Preliminary Agreement to merge with these entities. On November 18, 2004 we incorporated two subsidiary companies, Pharma Tech Solutions, Inc. a Nevada corporation, and PDA Services, Inc., a Nevada corporation to facilitate these mergers.

On November 3, 2004, and amended on December 27, 2004, we entered into a Definitive Agreement that called for a series of transactions to be completed between instaCare, Pharma Tech Solutions, Inc. and CareGeneration, Inc., that when accomplished would merge CareGeneration, Inc. into instaCare's subsidiary Pharma Tech Solutions, Inc., whereby Pharma Tech Solutions, Inc. would be the surviving entity. The parties concluded the activities surrounding this merger on January 27, 2005, and the filing of Merger certificates was completed on February 25, 2005. We have incorporated the products and services of the former CareGeneration, Inc. into our business model. On April 14, 2005 we changed our name from CareDecision Corp. to instaCare Corp. to better reflect our core business activities.

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Talks between InstaCare and Futurecom Global, Inc. ended on April 30, 2005 at the request of Ronald Kelly, the controlling shareholder of Futurecom Global, Inc.

instaCare's fiscal year ends on December 31. Our principal executive office is located at 2660 Townsgate Road, Suite 300, Westlake Village, CA 91361. Our telephone number is (805) 446-1973. The common stock is quoted on the OTCBB under the trading symbol "INCA", but it is not listed on a national securities exchange. Because the common stock is not listed for trading on any national securities exchange there may be a limited market for instaCare's shares.

The Offering

This prospectus relates to the registration of up to 518,000,000 shares of common stock of instaCare. Of these shares, 400,000,000 are being registered for Mercator Advisory Group LLC and its affiliated funds, as shares that underlie the conversion preference of instaCare's Series "C" Convertible Preferred Stock and common stock purchase warrants issued as a part of instaCare's Series "C" Convertible Preferred Stock subscription agreement with Mercator Advisory Group LLC. The registrant is seeking to register 300,000,000 shares that underlie the Preferred shares and 100,000,000 shares that underlie warrants. Some or all of these 400,000,000 shares may be issued according to the terms of the conversion preference of instaCare's Series "C" Convertible Preferred Stock and the exercise of instaCare's common stock purchase warrants.

In addition, instaCare desires to register the 99,000,000 common stock shares it has placed in escrow as collateral and for conditioned conversion rights owing to a promissory note and its renewal agreements with Pinnacle Investment Partners, LP. instaCare also seeks to register another 19,000,000 shares that have been issued to Pinnacle Investment Partners, LP and CJR Capital, Inc. as loan fees, loan renewal agreements and finders fees pursuant to the promissory note with Pinnacle Investment Partners, LP.

Selling Stockholders

Mercator Advisory Group LLC, Mercator Momentum Fund, LP, Monarch Pointe Fund, Ltd., CJR Capital, Inc. and Pinnacle Investment Partners, LP.

Net Proceeds to instaCare

instaCare will receive no proceeds from sales of common stock by the selling stockholders.

Detailed Summary Financial Information

Statement of operations data:	For the three months ended	
	2005	2004
	March 31,	
Gross profit	\$ 196,649	\$ 55,392
Expenses:		
General & administrative expenses	174,936	59,082
Payroll expense	256,869	80,540
Professional fees	278,618	238,530
Stock-based compensation - related party	115,290	-
Stock-based compensation - consulting	346,380	485,119
Software development	-	69,641
Hardware costs	10,075	-
Impairment loss on operating assets	-	111,473
Depreciation	13,138	33,315
Other total income (expenses):	(486,251)	(734,442)
Net (loss)	\$ (1,484,909)	\$ (1,756,750)
Net (loss) per share - basic and fully diluted	\$ (0.00)	\$ (0.01)

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Risk Factors

An investment in the securities being offered involves a high degree of risk. Prior to making any investment decision, prospective investors should carefully consider the following risk factors together with the other information presented in this prospectus including the financial statements and notes.

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

We are considered a development stage company with an inception date of June 21, 2001 and thus have a limited operating history on which to base an evaluation of our business and prospects. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development. Such risks include, but are not limited to, dependence on the growth of use of electronic medical information and services, the adoption of PDA based Internet appliances for the transmission and display of medical information, the need to establish our brand name, the ability to establish a sufficient client base, the level of use of medical providers and the management of growth. To address these risks, we must maintain and increase our customer base, implement and successfully execute our business and marketing strategy, continue to develop and improve our point of care software and patient processing system, provide superior customer service, respond to competitive developments and attract, retain, and motivate qualified personnel. There can be no assurance that we will be successful in addressing such risks, and the failure to do so could lead to an inability to meet our financial obligations and therefore result in bankruptcy and the loss of your entire investment in instaCare's 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. InstaCare incurred accumulated net losses from July 06, 2000 (inception) through the period ended March 31, 2005 of \$(11,708,281). In addition, instaCare's development activities since inception have been financially sustained by capital contributions. Future losses are likely to occur. Accordingly, we may experience significant liquidity and cash flow problems if we are not able to raise additional capital as needed and on acceptable terms. No assurances can be given that we will be successful in reaching or maintaining profitable operations.

We may not be able to retain our key personnel or attract additional personnel, which could affect our ability 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 CEO Robert Cox, interim CFO, Secretary and Treasurer, Keith Berman.. 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 a long-term employment agreements with our key personnel and currently have no "Key Employee" life insurance policies.

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

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

instaCare is authorized to issue up to 1,250,000,000 Shares of common stock. As of the most recent practicable date, there are 447,140,421 shares of common stock issued and outstanding. Additional issuances of common stock may be required to raise capital, to acquire stock or assets of other companies, to compensate employees or to undertake other activities without stockholder approval. These additional issuances of common stock will increase outstanding shares and further dilute stockholders' interests. Because our common stock is subject to the existing rules on penny stocks and thinly traded, a large sale of stock, such as the shares we seek to have registered via this registration statement, may result in a large drop in the market price of our securities and substantially reduce the value of your investment.

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

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

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

Achieving market acceptance for new or newly integrated products and services is likely to require substantial marketing efforts and expenditure of significant funds to create awareness and demand by participants in the healthcare industry. In addition, deployment of new or newly integrated products and services may require the use of

additional resources for training our existing sales and customer service personnel and for hiring and training additional salespersons and customer service personnel. There can be no assurance that the revenue opportunities from new or newly integrated products and services will justify amounts spent for their development, marketing and rollout.

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

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

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

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

We have been granted certain copyrights and 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. Our business model is somewhat unique in healthcare. We intend to use 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.

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

Due to our status as a developmental stage company 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 or collect accounts receivable when we emerge from the development stage. We may incur additional indebtedness from time to time to finance acquisitions, provide for working capital or capital expenditures or for other purposes. However, we currently anticipate that our operating cash flow along with the funds raised from financing will be sufficient to meet our operating expenses for at least the next 12 to 24 months. 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.

Use of Proceeds

All net proceeds from the sale of the common stock covered by this prospectus will go to the selling stockholders. instaCare will not receive any proceeds from the sale of the common stock in this offering.

Determination of Offering Price

The prices at which the shares of common stock may actually be sold will be determined by the prevailing public market price for the shares or by negotiations in private transactions.

Dividend Policy

It is instaCare's present policy not to pay cash dividends and to retain future earnings for use in the operations of the business and to fund future growth. Any payment of cash dividends in the future will be dependent upon the amount of funds legally available; earnings, financial condition, capital requirements and other factors that the Board of Directors may think are relevant. instaCare does not contemplate or anticipate paying any cash dividends on the common stock in the foreseeable future.

Issuance of Securities to the Selling Stockholders

The table below sets forth ownership information regarding the selling stockholders. For purposes of calculating the percentage of common stock outstanding, any securities not outstanding that are subject to options, warrants or conversion privileges are deemed outstanding for the purposes of computing the percentage of outstanding securities owned by the selling stockholders. Unless otherwise indicated, the selling stockholders have the sole power to direct the voting and investment over the shares owned by them.

The following table lists the preferred shares held by our Convertible "C" Preferred shareholders that were distributed pursuant to our Corporation Shares of Series C Convertible Preferred Stock and Common Stock Warrants Subscription Agreements at \$0.02 and \$0.03 cents per common share and associated agreement documents. None of the selling shareholders are broker-dealers or affiliates of broker-dealers.

<u>INVESTOR</u> ⁴	<u>AMOUNT OF INVESTMENT</u>	<u>COMMON STOCK PURCHASE 2 CENT WARRANTS</u>	<u>AMOUNT INVESTORS WANT REGISTERED</u>
	1		3
Mercator Advisory Group LLC	\$0	25,000,000	25,000,000
Mercator Momentum Fund, LP	\$660,000	8,250,000	8,250,000
Monarch Pointe Fund, Ltd.	\$0	16,750,000	16,750,000
TOTAL	\$660,000	50,000,000	50,000,000

<u>INVESTOR</u> ⁴	<u>AMOUNT OF INVESTMENT</u>	<u>COMMON STOCK PURCHASE 3 CENT WARRANTS</u>	<u>AMOUNT INVESTORS WANT REGISTERED</u>
	1		3
Mercator Advisory Group LLC	\$0	25,000,000	25,000,000
Mercator Momentum Fund, LP	\$0	8,250,000	8,250,000
Monarch Pointe Fund, Ltd.	\$1,340,000	16,750,000	16,750,000
TOTAL	\$1,340,000	50,000,000	50,000,000

After the offering is complete, Mercator Advisory Group LLC will own 11.18%, Mercator Momentum Fund, LP will own 3.69% and Monarch Pointe Fund, Ltd. will own 7.49% of our common stock par value \$0.001 based on a total of 447,140,421 shares issued and outstanding as of the most recent practicable date. None of the control person(s) listed in footnote 4 below have held any position, office, or have had any other material relationship with instaCare or any of our predecessors or affiliates. In addition, none of the selling shareholders held any shares of our common stock before the offering.

Footnotes:

1. Consideration for our Convertible "C" Preferred Shares at \$10,000.00 per share.
2. The conversion has been calculated by converting each share of our Convertible "C" Preferred Shares into common stock shares of instaCare as calculated by the following formula:

$$$.006667 \times 2,000,000$$

3. Amount investors want to register in this Registration statement.
4. The control person(s) are as follows: Mercator Advisory Group LLC - Mr. H. Harry Aharonian; Mercator Momentum Fund, LP - Mr. H. Harry Aharonian; and Monarch Pointe Fund, Ltd. - Mr. H. Harry Aharonian.

The following table lists the shares that were issued pursuant to the making and renewals of the promissory note with CJR Capital, Inc. and Pinnacle Investment Partners, LP.

PARTY	DATE	CONSIDERATION	ESCROW SHARES	SHARES ISSUED AS FEES AND RENEWAL FEES
CJR Capital, Inc. ¹	3/24/04	\$0	0	1,000,000
	9/24/04	\$0	0	2,000,000
	2/10/05	\$0	0	4,000,000
Pinnacle Investment Partners, LP ²	3/24/04	\$700,000	14,000,000	1,000,000

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	9/24/04	\$0	2,000,000	2,000,000
	2/10/05	\$400,000	83,000,000	9,000,000
TOTAL		\$1,100,000	99,000,000	19,000,000

1. The principal of CJR Capital, Inc. is Mr. Chris Janish.
2. The general partner of Pinnacle Investment Partners, LP is Chris Janish.

Plan of Distribution

The selling stockholders may, from time to time, sell any or all of their shares of common stock on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling stockholders may use any one or more of the following methods when selling shares:

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- a. Ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- b. Block trades in which the broker-dealer will attempt to sell the shares as agent but may position and the resell a as principal to facilitate the transaction;
- c. Purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- d. An exchange distribution in accordance with the rules of the applicable exchange;
- e. Privately negotiated transactions;
- f. Short sales;
- g. Broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- h. A combination of any such methods of sale; and
- i. Any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

The selling stockholders may also engage in short sales against the box, puts and calls and other transactions in our securities or derivatives of our securities and may sell or deliver shares in connection with these trades.

Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

Any profits on the resale of shares of common stock by a broker-dealer acting as principal might be deemed to be underwriting discounts or commissions under the Securities Act. Discounts, concessions, commissions and similar selling expenses, if any, attributable to the sale of shares will be borne by a selling stockholder. The selling stockholders may agree to indemnify any agent, dealer or broker-dealer that participates in transactions involving sales of the shares if liabilities are imposed on that person under the Securities Act.

The selling stockholders may from time to time pledge or grant a security interest in some or all of the shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from time to time under this prospectus after we have

filed an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933 amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

The selling stockholders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus and may sell the shares of common stock from time to time under this prospectus after we have filed an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933 amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

The selling stockholders and any broker-dealers or agents that are involved in selling the shares of common stock may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares of common stock purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act.

We are required to pay all fees and expenses incident to the registration of the shares of common stock. We have agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

The following is an estimate of the expenses incident to the registration of the shares of common stock.

<u>Nature of Expenses</u>		<u>Amount</u>
SEC Registration Fee	\$	1,219
Accounting Fees and Expenses	\$	10,500
Legal Fees and Expenses	\$	15,000
Printing Expenses	\$	1,000
Blue Sky Qualification Fees and Expenses	\$	1,000
Transfer Agent's Fee	\$	2,500
TOTAL	\$	31,219

The selling stockholders have advised us that they have not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of their shares of common stock, nor is there an underwriter or coordinating broker acting in connection with a proposed sale of shares of common stock by any selling stockholder. If we are notified by any selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of shares of common stock, if required, we will file a supplement to this prospectus. If the selling stockholders use this prospectus for any sale of the shares of common stock, they will be subject to the prospectus delivery requirements of the Securities Act.

The anti-manipulation rules of Regulation M under the Securities Exchange Act of 1934 will apply to sales of our common stock and activities of the selling stockholders.

Transfer Agent

The name and address of our transfer agent is as follows: Pacific Stock Transfer Company, 500 E. Warm Springs Road, Suite 240, Las Vegas, NV 89119; 702-361-3033.

Legal Proceedings

On July 6, 2005, instaCare filed a complaint in the United States District Court, for the Central District of California (Case Number CV 05-4932-RSWL), against Ronald Kelly, and others, seeking damages for Fraud, Breach of Fiduciary Duty, RICO violations, Conversion, Breach of Contract / Breach of Corporate Merger Agreement, Declaratory Relief, Accounting, Injunctive Relief, and such other Ancillary Relief as may be available. Ronald Kelly was the President and CEO of CareGeneration, which was merged with Pharatech Solutions, a subsidiary instaCare. As a result of the merger, Ronald Kelly was appointed to the Board of Directors of instaCare.

Substantial irregularities came to the attention of other members of the Board of Directors, the facts of which are set forth in the complaint in the above referenced action. As a result of that information, Mr. Kelly was removed from the Board of Directors, and approximately 10 days later tendered his resignation, without explanation. As a further result of this information, we have brought our lawsuit for damages."

We nor our subsidiaries are named defendants in any legal proceedings. Our recent acquisition target CareGeneration, Inc. ("CareGen"), was not subject to any legal proceedings at the closing of our acquisition.

However Ronald Kelly, a former director and the former controlling shareholder of the acquisition target CareGeneration, Inc, is himself a party to several actions:

Ronald Kelly is the guarantor of a contract between Kelly Company World Group, Inc., an Illinois corporation, and Purity Wholesale Grocers, Inc. d/b/a Supreme Distributors Company ("Purity"), an Illinois corporation, in which Purity demanded payment of \$1,905,972. The suit was filed in the Circuit Court of McDonough County, Illinois on August 6, 2004. This Breach of Guarantee suit is related to Kelly's guarantee of a contract that disputed. Mr. Kelly's counsel represented to us that the parties to this suit were engaged in on-going settlement negotiations to resolve the matter. However, this representation was not factual and it was learned that Mr. Kelly consented to judgment in this matter in December 2004, subject to a plan of cure. Purity filed the Stipulation to Judgment in May 2005 and is now enforcing same. 2. Ronald Kelly is a named party in a suit titled World Automated Systems, Ltd. et al vs. Omni Cellular, Ltd. et al. The suit alleges Breach of Contract, Fraudulent Misrepresentation, Fraud, Consumer Fraud, and Deceptive Business Practice and Conversion in the amount of \$250,000.00 plus punitive damages and costs. The case was filed in Circuit Court of Cook County, Illinois on July 29, 2004. A motion to dismiss was filed on behalf of the defendants and subsequently the Plaintiffs filed a Motion for Leave to Amend Complaint. As of this date Plaintiffs have not filed an amended complaint. Mr. Kelly is as yet unable to evaluate the likelihood of a favorable outcome.

We were in the process of investigating additional litigation involving Mr. Kelly that was not disclosed to the Company while he served as a director.

In April 2004 we entered into an agreement with DataFuzion, Inc. ("Fuzion"), a Colorado based medical software and medical systems company. Among other things this agreement called for us to provide license to certain of its software and to provide introduction to agents and service organizations that were capable of assisting Fuzion's stated desire to become a fully reporting public company. The agreement called for Fuzion to render 10% of its capital stock as consideration. As a portion of its consideration, we also agreed to advance certain monies to Fuzion's chosen agents for these services. We completed the introductions and advanced the funds called for under the agreement. Although we have not yet resolved our claims, DataFuzion, Inc. has contacted us and we remain optimistic that we will be able to favorably resolve our issues.

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Directors and Executive Officers

The following table sets forth the name, age, positions, and offices or employments for the past three years as of December 31, 2004 for our executive officers and directors. Members of the board are elected and serve for one year terms or until their successors are elected and qualify. All of the officers serve at the discretion of the Board of Directors of instaCare.

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>	<u>TERM</u>
Robert Cox	45	President, Director, and Chief Executive Officer	Since June 2001
Keith Berman	51	Secretary, Treasurer and Director	Since January 2003
Robert Jagunich	58	Director	Since January 2003

Robert L. Cox, President and Director

- prior to joining instaCare, was the Chief Executive Officer, President and Director of Tower Realty Trust, Inc., a publicly traded Real Estate Investment Trust ("REIT") from October 1997 to May 2001. From March 1995 to October 1997 Mr. Cox served as the Executive Vice President and Chief Operating Officer of Tower Equities, when Tower Equities became a public company (Tower Realty Trust, Inc.). From March 1987 to March 1995, Mr. Cox served as Vice President of Development and Construction of Tower Equities, where his main responsibilities included supervising all development and construction projects. Mr. Cox graduated in 1983 with a BA from Florida State University. Mr. Cox does not hold any directorships of other reporting companies.

Keith Berman, Secretary, Treasurer and Director

- has for over the past 15 years, been involved in the development of healthcare software including Intranet and Internet systems. From July 1999 to present, Mr. Berman has held the position of President, founder and director of Caredecision.net, Inc. a private company engaged in e-health technology development. From January 1996 to June 1999 Mr. Berman was the President and founder of Cymedix, the operating division of Medix Resources, Inc., now Ramp Corp. (RCO). Cymedix was a pioneer company in what was then known as i-health (Internet healthcare) now the e-health industry. Mr. Berman received a BA in 1975 and an MBA in 1977, from Indiana University.

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Robert Jagunich, Director -

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

Mr. Cox and Mr. Berman, the officers, are treated as exempt employees and work whatever hours are necessary to complete company business. Both work far in excess of 40-hour weeks on company business. Mr. Jagunich attends meetings of the board of directors when held."

Security Ownership of Certain Beneficial Owners and Management

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The following table sets forth certain information concerning the beneficial ownership of instaCare's outstanding classes of stock based on ownership information reported by the stockholders as of the latest practicable date, and on the number of shares outstanding as of the latest practicable date by each person known by instaCare to own beneficially more than 5% of each class, by each of instaCare's directors and executive officers and by all officers and directors as a group. instaCare is authorized to issue up to 1,250,000,000 shares of common stock. As of the latest practicable date, there are 447,140,421 shares of common stock issued and outstanding; therefore, 22,357,021 shares constitute a position of 5%. Unless otherwise indicated below, to instaCare's knowledge, all persons listed below have sole voting and investment power with respect to their shares of common stock except to the extent that spouses share authority under applicable law. All shares are held directly.

The percentages are calculated on the basis of the amount of outstanding securities plus, for each person or group, any securities that person or group has the right to acquire within 60 days pursuant to options, warrants, and conversion privileges or other rights.

<u>Common Stock</u>		
<u>Name and Address</u>	<u>Shares Beneficially Owned</u>	<u>Percentage of Shares Outstanding</u>
Keith Berman 1623 Elmsford Westlake, CA 91361	8,143,991	1.82%
Robert L. Cox 16 Wood Hollow Lane Fort Salonga, NY 11768	2,205,915	0.49%
Robert Jagunich 765 Christine Drive Palo Alto, CA 94303	6,009,293	1.34%
Pinnacle Investment Partners LP ^{1,2} Hank Gracin ESQ 50 Charles Lindberg Blvd, Suite 505 Uniondale, NJ 11583	98,000,000	21.92%
Total ownership by our officers and directors (three individuals)	16,359,199	3.65%

Footnotes

1. The control person of Pinnacle Investment Partners, LP is Chris Janish.
2. These shares are currently held in escrow as collateral shares pursuant to a certain Promissory Note Agreement between us and Pinnacle Investment Partners, LP, Mr. Hank Gracin, Escrow Agent.

Description of Securities

Our authorized capital stock is 1,250,000,000 shares of common stock, par value \$0.001 per share and 5,000,000 shares of preferred Stock, par value \$.001 per share. As of the most recent practicable date, we had issued 447,140,421 of our shares of common stock, 207,526 shares of preferred stock and 20,000 shares of preferred series "C" stock.

For purposes of illustration only, assuming a hypothetical conversion of \$100.00 (one share of Series C Preferred stock), while "**Market Price**" for our common stock is \$0.02 at the time of conversion, and the "**Conversion Price**" per share for our Series C Preferred Stock shall be equal to eighty percent (80%) of the **Market Price**, the Conversion Ratio (formula) will be $\$100.00/\0.016 , or 6,250 shares per \$100.00. This hypothetical conversion will allow the 20,000 shares of Series C Preferred Stock to be converted into 125,000,000 shares of Common Stock. On the other hand, if the **Market Price** is \$0.03 at the time of conversion, the Conversion Ratio (formula) will be $\$100.00/\0.024 , 4,167 shares per \$100.00, allowing the 20,000 shares of Preferred Stock to be converted into 83,333,333 shares of Common Stock.

The following brief description of our common stock and preferred stock is subject in all respects to Nevada law and to the provisions of our Articles of Incorporation filed with the state of Nevada on March 2, 2001, as amended filed with the state of Nevada on May 9, 2001 and our Bylaws, copies of which were submitted with our initial 10-SB Registration Statement filed with the Securities and Exchange Commission on September 27, 2001. In addition, to our amended Articles of Incorporation filed with the state of Nevada on August 2, 2002 copies of which were submitted with our June 30, 2002 Form 10-QSB filed with the Securities and Exchange Commission.

Common Stock

As a holder of our common stock:

- a. You have equal rights to dividends from funds legally available, ratably, when as and if declared by our Board of Directors;
- b. You are entitled to share, ratably, in all of our assets available for distribution upon liquidation, dissolution, or winding up of our business affairs;
- c. You do not have preemptive, subscription or conversion rights and there are no redemption or sinking fund provisions applicable;
- d. You are entitled to 1 vote per share of common stock you own, on all matters that stockholders may vote, and at all meetings of shareholders.

Additionally, there is no cumulative voting for the election of directors.

Preferred Stock

We can issue shares of preferred stock in series with such preferences and designations as our board of directors may determine. Our board can, without shareholder approval, issue preferred stock with voting, dividend, liquidation, and conversion rights. This could dilute the voting strength of the holders of common stock and may help our management impede a takeover or attempted change in control.

Nevada Anti-Takeover Provisions

The anti-takeover provisions of Sections 78.411 through 78.445 of the Nevada Corporation Law apply to instaCare Section 78.438 of the Nevada law prohibits us from merging with or selling instaCare or more than 5% of our assets

or stock to any shareholder who owns or owned more than 10% of any stock or any entity related to a 10% shareholder for three years after the date on which the shareholder acquired the instaCare shares, unless the transaction is approved by the Board of Directors of instaCare. The provisions also prohibit us from completing any of the transactions described in the preceding sentence with a 10% shareholder who has held the shares more than three years and its related entities unless the transaction is approved by our Board of Directors or a majority of our shares, other than shares owned by that 10% shareholder or any related entity. These provisions could delay, defer or prevent a change in control of instaCare.

Anti-Dilution

The shares of instaCare's preferred stock shall not be subject to dilution unless all the holders of the preferred stock vote to change this preference. In addition, the preferred stock shall maintain its status even if the common stock undertakes a reverse or forward split of its shares. The preferred stock cannot be diluted unless it is converted to common stock.

Market for Common Stock

The common stock is traded on the OTC Bulletin Board. The following table sets forth the high and low bid prices of instaCare's common stock for the periods indicated, as reported by published sources. The prices reflect inter-deal prices without retail mark-up, markdown or commission and may not represent actual transactions.

		Low	High
2005 Fiscal Year			
First Quarter	\$	0.013	\$ 0.03
2004 Fiscal Year			
First Quarter	\$	0.028	\$ 0.119
Second Quarter	\$	0.023	\$ 0.083
Third Quarter	\$	0.019	\$ 0.057
Fourth Quarter	\$	0.015	\$ 0.03
2003 Fiscal Year			
First Quarter	\$	0.04	\$ 0.08
Second Quarter	\$	0.04	\$ 0.075
Third Quarter	\$	0.04	\$ 0.075
Fourth Quarter	\$	0.03	\$ 0.05
2002 Fiscal Year			
First Quarter	\$	0.06	\$ 0.30
Second Quarter	\$	0.03	\$ 0.08
Third Quarter	\$	0.03	\$ 0.11
Fourth Quarter	\$	0.04	\$ 0.11

As of the most recent applicable date, there were 268 individuals of record of our common stock. Our shares of common stock are currently traded on the OTC Electronic Bulletin Board under the symbol "INCA". There is no assurance that an active trading market will develop that will provide liquidity for instaCare's existing shareholders or for the selling shareholders whose common stock is being registered through this filing.

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On January 1, 2003, we adopted our "2003 Stock Option Plan" (the "Plan") and granted incentive and nonqualified stock options with rights to purchase 25,000,000 shares of our \$0.001 par value common stock. We issued 14,600,000 shares of stock pursuant to the plan during the year ended December 31, 2003.

The following is a summary of activity of outstanding stock options under the 2003 Stock Option Plan:

	Number Of Shares	Weighted Average Exercise Price
Balance, December 31, 2003	5,150,000	-
Options granted	-0-	\$0.043
Options exercised	(-0-)	0.043
Balance, December 31, 2004	5,150,000	0.043
Exercisable, December 31, 2004	5,150,000	\$0.043

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The following is a summary of information about the 2003 Stock Option Plan options outstanding at December 31, 2004:

	Shares Underlying Options Outstanding			Shares Underlying Options Exercisable	
	Shares Underlying	Average Remaining Contractual Life	Weighted Average Exercise Price	Shares Underlying	Weighted Average Exercise Price
Range of Exercise Prices	Options Outstanding	Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$0.040 - 0.050	5,150,000	0 years	\$0.043	5,150,000	\$0.043

Pro forma information regarding net income and net income per share has been determined as if we had accounted for our non-employee stock-based compensation plans and other stock options under the fair value method of SFAS No. 123. The fair value of each option and warrant grant are estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants under the fixed option plan:

	2004	2003
Average risk-free interest rates	5.05 %	5.05 %

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Average expected life (in years)	2	2
Volatility	51.0 %	51.0 %

The Black-Scholes option valuation model was developed for use in estimating the fair value of short-term traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including expected stock price volatility. Because our employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not necessarily provide a reliable single measure of the fair value of our employee stock options. During 2003, there were no options granted with an exercise price below the fair value of the underlying stock at the date of issuance.

As of December 31, 2003, outstanding stock options to acquire shares of common stock on a one-for-one basis totaled 5,150,000 at a weighted average exercise price of \$.043. As of December 31, 2003, stock options in the Plan remaining to be issued totaled 5,250,000. The Plan stock options are 100% vested from the grant date.

The Commission has adopted regulations which generally define a "penny stock" to be any equity security that has a market price less than \$5.00 per share. Thus, our common stock is presently a penny stock subject to rules that impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors. This would generally include institutions with assets in excess of \$5,000,000 or individuals with net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. Based on the above, investors who are not established customers of broker-dealers or accredited investors may find it difficult to purchase our common stock without satisfying numerous requirements.

Commission's Position on Indemnification for Securities Act Liabilities

Section 78.751 of the Nevada General Corporation Laws provides as follows: 78.751 Indemnification of officers, directors, employees and agents; advance of expenses.

1. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorney's fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and that, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

2. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good

faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation. Indemnification may not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation, unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

3. To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections 1 and 2, or in defense of any claim, issue or matter therein, he must be indemnified by the corporation against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense.

4. Any indemnification under subsections 1 and 2, unless ordered by a court or advanced pursuant to subsection 5, must be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances. The determination must be made: (a) By the stockholders; (b) By the board of directors by majority vote of a quorum consisting of directors who were not parties to the act, suit or proceeding; (c) If a majority vote of a quorum consisting of directors who were not parties to the act, suit or proceeding so orders, by independent legal counsel in a written opinion; or (d) If a quorum consisting of directors who were not parties to the act, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion; or

5. The Articles of Incorporation, the Bylaws or an agreement made by the corporation may provide that the expenses of officers and directors incurred in defending a civil or criminal, suit or proceeding must be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by corporation. The provisions of this subsection do not affect any rights to advancement of expenses to which corporate personnel other than the directors or officers may be entitled under any contract or otherwise by law.

6. The indemnification and advancement of expenses authorized in or ordered by a court pursuant to this section: (a) Does not exclude any other rights to which a person seeking indemnification or advancement of expenses may be entitled under the articles of incorporation or any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, for either an action in his official capacity or an action in another capacity while holding his office, except that indemnification, unless ordered by a court pursuant to subsection 2 or for the advancement of expenses made pursuant to subsection 5, may not be made to or on behalf of any director or officer if a final adjudication establishes that his act or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action. (b) Continues for a person who has ceased to be a director, officer, employee or agent and endures to the benefit of the heirs, executors and administrators of such a person. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Insofar as indemnification for liabilities under the Securities Act of 1933 may be permitted to our directors, officers, and controlling persons, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and therefore unenforceable.

Description of Business

Business Development

Form and year of organization

instaCare Corp., a Nevada corporation, was formed July 6, 2000 as Promedicius, Inc., a development stage company.

Material reclassifications- Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business

In June 2002, ATR Search Corp. merged with Medicius, Inc., formally Promedicius, a Nevada corporation, also a development stage company. Medicius, had a principal business objective to offer physicians, licensed medical service providers such as diagnostic testing laboratories, and medical insurers Internet enhanced, wireless ("Wi-Fi") information technology and data management technology (IT).

In January 2003, we adopted our "2003 Stock Option Plan" (the "2003 Plan") and granted incentive and nonqualified stock options with rights to purchase 25,000,000 shares of our \$0.001 par value common stock. We issued 14,600,000 shares of stock pursuant to the 2003 Plan during the year ended December 31, 2003. We issued an additional 10,400,000 shares of stock pursuant to the 2003 Plan during the year ended December 31, 2004.

In March and April 2004 we issued 6,510,000 shares of our \$0.001 par value common stock in order to settle the disputes with investors and agents which arose over the M&E Note, and which allowed the M&E Note to be settled and converted. The value of the shares was \$377,136 and is recorded as a loss on debt settlement during the year ended December 31, 2004.

On March 24, 2004, instaCare was loaned \$700,000 from Pinnacle Investment Partners, LP (Pinnacle). The Secured Convertible Promissory Note, which bears interest at the rate of 12% per annum (unless we fail to pay any installment or principal or interest when due, then the interest rate will then accrue at a rate of 24% per annum on the unpaid balance until the payment default is cured), initially matured on September 25, 2004, but was extended for an additional six months at our option, and was secured by 14,000,000 shares of our \$0.001 par value common stock. Under the terms of this Note, Pinnacle at its option, could have elected, at any time or from time to time, to convert some or all of the then-outstanding principal amount of the Note into shares of our common stock at a conversion price of \$0.08 per share, unless such conversion would result in Pinnacle being deemed the "beneficial owner," within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended. For the period ended December 31, 2004, there were no conversions.

On August 4, 2004 instaCare received a proposal for a possible merger with two private shareholder owned corporations based in Scottsdale, Arizona. These companies, both controlled by Ronald R. Kelly are:

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1. Futurecom Global, Inc., a Nevada corporation, founded in 1998 is a distributor of personal digital assistant (PDA) products and technologies and which also has interests in the pre-paid cellular and pre-paid cash card markets.

2. CareGeneration, Inc., a Nevada corporation, founded in February 2004, a newly organized distributor of prescription drugs at the wholesale and retail levels. At the time of the proposal CGI had recently acquired certain assets, rights, customer lists and transfers of certain license(s) that had been the foundation of the wholesale prescription drug business unit of Kelly Company World Group, Inc., a Delaware corporation.

On August 5, 2004 we adopted our "2004 Employee Stock Option Plan" (the "Plan") and granted incentive and nonqualified stock options with rights to purchase 50,000,000 shares of our \$0.001 par value common stock. We issued 50,000,000 shares of stock pursuant to the plan during the year ended December 31, 2004.

On October 12, 2004, we entered into various consulting and service agreements with Dr. Joseph Wolf, Leslie-Michelle Abraham and M. Thais Abraham to perform strategic and developmental services to facilitate our proposed merger with CareGeneration, Inc., among others. As consideration, we granted stock options to purchase 24,000,000 shares of \$0.001 par value common stock at a strike price of \$0.02 per share pursuant to our 2004 Stock Option Plan. The shares are registered and free-trading under our 2004 Employee Stock Option plan filed via Form S-8. The value of the options on the grant date using the Black-Scholes Model is \$285,000, which has been recorded as compensation expense on the Statement of Operations as of December 31, 2004.

On October 28, 2004, we entered into a second consulting and service agreement with Dr. Joseph Wolf to perform an enterprise value report for our proposed acquisition of CareGeneration, Inc. inclusive of that company's recent receipt of certain prescription drug distribution licenses and other considerations. As consideration, we granted stock options to purchase 6,500,000 shares of \$0.001 par value common stock at a strike price of \$0.018 per share pursuant to our 2004 Stock Option Plan. The shares are registered and free-trading under our 2004 Employee Stock Option plan filed via Form S-8. The value of the options on the grant date using the Black-Scholes Model is \$72,310.00, which has been recorded as compensation expense on the Statement of Operations as of December 31, 2004.

Initiated on November 3, 2004, and amended on December 27, 2004, we entered into a Definitive Agreement that called for a series of transactions to be completed between our to-be-formed subsidiary, Pharma Tech Solutions, Inc., and CareGeneration, Inc., the merger target that when accomplished would merge CareGeneration, Inc. into the to-be-formed subsidiary Pharma Tech Solutions, Inc., whereby Pharma Tech Solutions, Inc. would be the surviving entity.

On November 18, 2004 we incorporated two subsidiary companies, Pharma Tech Solutions, Inc. a Nevada corporation, and PDA Services, Inc., a Nevada corporation, to facilitate these mergers.

On December 24, 2004 we entered into an agreement of understanding by and among InstaCare Corp. and, Pharma Tech Solutions, Inc., and CareGeneration, Inc. and Kelly Co. World Group, Inc. This agreement, among other things, allowed us to assume management and control over CareGeneration Inc.'s prescription drug distribution business and to do business under the previous business name as a means to facilitate the merger. The merger closed on February 25, 2005.

Pursuant to the agreements CareGeneration shareholders received 39,375,000 shares of Pharma Tech Solutions' common stock, equaling approximately 49% of the outstanding shares of Pharma Tech Solutions, and 42,500,000 of InstaCare's common stock in exchange for all of the shares of the CareGeneration's common stock and all of the CareGeneration's preferred stock. In addition, we were required at closing to place in escrow 100,000,000 common stock shares, which may be paid to CareGeneration stockholders subject to earn-out provisions based on performance. As of the date of this registration statement, after the expiration of two of the milestone dates, only 50,000,000 of these shares were still available for "earn-out."

On February 1, 2005, we entered into a financial consulting agreement with Pylon Management, Inc. expiring on December 31, 2005. Pursuant to the agreement, Pylon Management will be compensated for services in the form of option to purchase up to 18,500,000 shares of our common stock at \$0.02 per share. As of the date of the registration

statement, no options have been exercised.

On February 5, 2005, instaCare adopted our "2005 Stock Option Plan" and granted incentive and nonqualified stock options with rights to purchase 90,000,000 shares of our \$0.001 par value common stock. On February 15, 2005, instaCare issued 63,000,000 shares of stock pursuant to the plan to officers.

On February 7, 2005, we reached an agreement with three entities: Mercator Momentum Fund, LP, Monarch Pointe Fund, Ltd. and Mercator Advisory Group, LLC (collectively the "investing entities"). Under this agreement, in return for a total investment of \$2,000,000 USD from the investing entities, the last portion of which was received on February 22, 2005, instaCare agreed to issue and sell to the Purchasers an aggregate of: (a) Twenty Thousand (20,000) shares of our Series "C" Convertible Preferred Stock, \$1000.00; and, (b) One Hundred Million (100,000,000) warrants to acquire up to One Hundred Million (100,000,000) shares of instaCare's common stock, 50,000,000 of the warrants having an exercise strike price of \$.02 and 50,000,000 of the warrants having an exercise strike price of \$.03.

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 \$0.02 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 investing entities wish to convert and those warrant shares that any of the investing entities may acquire at any time are subject so that the aggregate number of shares of common stock of which such investing entities and all persons affiliated with the investing entities 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.

On February 7, 2005, the Board of Directors approved the issuance of warrants to purchase 100,000,000 shares of our common stock to Mercator LLP in connection with financing arrangements. Such warrants are exercisable over a period of three years at an exercise price of \$0.02 for the initial 50,000,000 shares and \$0.03 for the remaining 50,000,000 shares. The value of the warrants using the Black-Scholes pricing model was \$100,000, which was recorded as financing costs as of March 31, 2005.

On February 7, 2005, the board of directors approved the issuance of warrants to purchase 3,500,000 shares of our common stock to Pylon Management for payment of consulting services. The warrants are exercisable at a price of \$0.02 per share and vest over a period of three years. The value of the warrant using the Black-Scholes pricing model was \$7,000, which was recorded as a consulting expense at March 31, 2005.

The weighted average of the assumptions used to value the warrants approved on February 7, 2005 were: Interest rate-3.50%, Days to expiration-1095, Stock price \$0.02, Strike price-\$0.02-\$0.03, Volatility-0%, Yield-0%.

On February 10, 2005, we entered into a six-month consulting agreement with Victor Pallante for financial advisory services in exchange for cash in the amount of \$50,000 due upon execution of the agreement and 5,000,000 shares of our \$0.001 par value common stock to be considered earned over the term of the agreement and issued incrementally. We have expensed consulting fees in the amount of \$50,000. We have delivered all of the shares required to date under this agreement.

On February 10, 2005, instaCare and Pinnacle entered into a Note Extension Agreement. Subject to the terms of this 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 has been extended to April 24, 2006; and (3) the conversion price for those shares that underlie the Note was changed to \$0.025.

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In addition to the above, we agreed: (1) to deliver to Pinnacle's counsel an additional 83,000,000 shares of our common stock as additional escrow security, (2) issue to Pinnacle's designee, CJR Capital, LLC, 4,000,000 shares of our common stock towards Pinnacle's due diligence and legal expenses related to the revision of the Note; (3) issue to Pinnacle 9,000,000 shares of instaCare's common stock as a loan re-initiation fee; and (4) upon receipt of any properly crafted Seller's Representation Letter, deliver to Pinnacle an opinion of counsel to the effect that commencing March 24, 2005, Pinnacle may sell under Rule 144 promulgated under the Securities Act of 1933, as amended, shares surrendered to Pinnacle in accordance with this agreement, on condition that (1) Pinnacle uses the proceeds to pay down the indebtedness under the Note as of immediately prior to effectiveness of this agreement and (2) ceases to sell any of those Shares once that indebtedness has been paid off in full. We have recorded a financing expense in the amount of \$227,500, the fair market value of the underlying shares. All of the shares required under the Note were delivered.

On April 14, 2005, after receiving affirmative votes from more than 50% of the outstanding shares, we changed our name to instaCare Corp. to better reflect our evolved mission and business focus. Moving forward we plan to incorporate the products and services of the former CareGeneration, Inc. into our business model.

Business of the Issuer

Principal products and markets

Our principal business objective is to provide information technology (IT) for use with Internet-based communication, and network software systems and applications that reside on and function through a Windows CE-Based PDA-available from most major computer brands such as Sony, Dell, IBM and Palm -to the medical fields and the real estate industry.

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

Our medical field objectives includes:

1. Providing medical communication devices based on networks of personal digital assistants (PDA). These products are believed to provide benefits of on demand medical information to private practice physicians, licensed medical service providers such as diagnostic testing laboratories, and medical insurers. We have created PDA-centric products and a suite of Internet enhanced software applications that include those features that specifically respond to the requirements of the practicing physician.
2. Provide, as an emerging Internet pharmacy, retail drug prescriptions fulfillment with the goal of delivering affordable, discounted prescriptions to the millions of uninsured and underinsured consumers in the United States.

3. Combining our newly acquired wholesale and retail drug distribution with our PDA technologies, creating wholesale and retail ePharmacies similar in function to existing Internet pharmacies but directed to serving the large base of underinsured and uninsured Americans; and
4. 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.

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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.

Product Applications

Medical field Applications

Our medical technologies, the focus of one of the broad based patent applications now in the patent prosecution stage, are grounded in the central need to furnish the doctor with crucial point-of-care patient information rapidly and reliably via a PDA. The technologies utilize the power of the Internet to move large amounts of data to and from a variety of platforms securely via a powerful Windows CE based PDA designed for portability and upgradability. Totally compliant with the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the regulations that have since been promulgated, this PDA technology offers complicated and real-time point of care applications, previously legacy (mainframe or PC network) system applications, on a totally portable (PDA) appliance.

Our software is designed to integrate point of service applications. The medical appliance, the longest available product, monitors treatment protocols and up to the moment patient histories coupled with real-time on-line medical insurance claims submission. Our ultimate key to success resides in providing the private practice physician with the capability to, sequentially, learn about the history of his or her 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.

Retail prescription Applications

The retail prescription business is often subsidized or funded by government benefits which seems to be aggressively moving to take advantage of the tremendous opportunity in retail pharmacy business via direct mail order distribution of prescriptions and related products/supplies. As part of its acquisition of CareGeneration, Inc. ("CGI"), PTSI, which is discussed below, acquired from CGI a proprietary, patent-pending retail mail order methodology for the distribution of pharmaceutical and healthcare supplies, which includes:

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

PTSI, a wholly owned subsidiary of instaCare, consists of two operating units, an active, licensed wholesale prescription drug distribution business, (license is undergoing transfer owing to the merger). PTSI is also an emerging

Internet pharmacy just entering the retail drug prescriptions marketplace with the goal of delivering affordable, discounted prescriptions to the 40 million uninsured and underinsured consumers in the United States.

InstaCare's plan is to combine the newly acquired wholesale and retail drug distribution businesses now managed by Pharma Tech Solutions, Inc. (PTSI) and couple these businesses with the capabilities to connect physicians, using 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. PTSI is also currently delivering bulk prescription drugs on a wholesale basis to clients formerly serviced by the now merged CareGeneration, Inc.

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Real Estate and Hotel/Motel Applications

In February 2003, we introduced ResidenceWare, a collection of Internet-enhanced communication, integration, and networking software systems and applications that reside on and function through a Windows CE-based PDA.

The Wi-Fi hotel/motel and apartment software makes use of much of the foundation technologies resident in the medical software products we offer. Given the differences in the two markets that the products service, the hotel/motel product is much more cooperative oriented, offering more consumer transactional services with the compliment of advertising tools.

Our technologies and products for the hotel/motel marketplace are designed to furnish hotel and motel guests with a menu of food service, office services and other remote service (dry cleaning for instance) choices that can be electronically ordered through our PDA-based information appliance for delivery directly to the hotel/motel guest. Employing commercially available Wi-Fi technology, we wrapped the time and volume tested commercial technologies into our patent pending PDA communication networking technologies, allowing us to offer complex and real-time point of sale applications through a totally wireless (PDA) appliance.

ResidenceWare was proprietarily and internally developed to service the need for a communication tool that could capitalize on recent technological advances to facilitate the relay of vital information directly and instantaneously to occupying tenants/guests. The systems were further augmented with the addition of advertising and e-commerce transactional features allowing merchants and service providers local to a ResidenceWare installation to electronically advertise and accept electronic orders for their products and services, which benefit not only the tenants or guests, but provide a potential alternate revenue stream for the commercial and residential real estate management companies, and hotel owners; for we employ a cooperative advertising model where we will share advertising revenue and electronic commerce revenue generated with the hotel/apartment building owner or manager.

Distribution Methods

Medical field distribution methods

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

We have implemented a targeted marketing campaign to educate healthcare providers about our medical technology solutions; targeting the physician providers who specialize in care for the indigent through the provision of technology, products and services that specifically respond to the needs and requirements of that market. We market our suite of medical software products by emphasizing their simplicity, portability, convenience and ease of use. We

have chosen this focus due in part that State Medicaid and state and local welfare service providers are agencies 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. And 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 said physicians

Real Estate and Hotel/Motel distribution methods

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

Since mid-2003, we began focusing acutely on the marketing of our applications to the lodging sector through our ResidenceWare hotel/motel products and technologies. We also changed our products to reflect regional differences in the lodging sector, and by creating brochures and marketing materials.

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

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

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 the process employed will be introduced and replicated in other locations targeted for access. We believe that the products we market to hotels and motels are unique.

In July 2003, we formalized an informal agreement with PCHertz.com, Inc. of Fargo, ND for the installation and sales of our ResidenceWare units. To date, PCHertz.com, Inc. has received orders for approximately 2900 units of our ResidenceWare product from hotels and motels across the United States. Through the contacts and efforts of PCHertz.com, Inc. we have since placed 1287 of these units in hotels.

PCHertz.com. is a sales agent for instaCare and primarily provides sales leads and sales consulting services. They also provide after-sales support and marketing and thus share in advertising and electronic commerce revenues generated by our ResidenceWare products. PCHertz is in the business of providing wireless environments and hotspots to hotels and motels. Our products are one of several PCHertz represents. In the case of instaCare, once a lead is received from PCHertz our staff is responsible for the closing of the sale, and the eventual billing and customer support. We also pay a monthly fee to PCHertz for product installation services in Midwest located hotels. Of our original 2900 orders, we have installed or initiated installation at 1287. We have also taken in an additional 270 hotel rooms (orders). We plan to complete installation of the orders this calendar year.

In the summer of 2003, we began discussions for a possible acquisition of MDU Services, Inc. (MDU), a Texas based company that was in several businesses, but of particular interest was MDU's business of providing kiosk-style access to the Internet at hotels and apartment buildings. Envisioning a more robust line of Internet connectivity products for the lodging and apartment management marketplaces, we made an initial offer to acquire MDU in the late fall of 2003. This acquisition has never progressed past the Due Diligence phase, even after we revised our offer in February 2004. Given the time that has passed and the lack of materials provided by MDU for our review, it is questionable whether this acquisition will close, although there are no penalties associated with a delayed closure. We remain interested in MDU's businesses.

New Products

SateLink

The development SateLink launched instaCare into a previously unexplored industry for us. Its creation, however, is wholly consistent with our corporate mission of introducing innovative technologies that resolve electronic communication barriers within multiple and diverse markets. We remain in discussions about potential sale or license of our SateLink product. And although we are optimistic, we have yet to sell any license agreement or have any service order placed for SateLink.

SateLink is our palm computer based product system designed to facilitate wireless process control, calibration, key coding and communications within the cable and media re-broadcast industries. SateLink seeks to resolve electronic communication barriers that inhibit customer communications and service and furnishes controls over the delivery of their products.

SateLink is a collection of communication, integration, and networking software systems that reside on a Windows CE-based PDA that communicates via Wi-Fi wired or satellite network connections. We believe SateLink will capitalize on recent innovations with PDA-sized GPS receivers to consolidate one or multiple GPS channels into a WiFi network to empower real-time satellite communications between a sponsoring corporation and virtual PDAs.

Pharmaceutical

On January 4, 2005 we transacted our first commerce under PTSI. Subsequently we have accepted additional orders for future business and fulfilled these orders. We have transacted all prescription drug distribution business transacted, whether under the agreement of December 24, 2004 or subsequent to the closing of the Pharma Tech merger, through our subsidiary.

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/supplies. As part of our acquisition of CareGeneration, Inc. ("CGI"), PTSI also acquired from CGI a proprietary, patent-pending retail mail order methodology for the distribution of pharmaceutical and healthcare supplies which includes:

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

Bank Card

We have since taken this the Bank Card concept and technology and adapted the card into a powerful tool for tracking participants and processing transactions, providing a critical method for us to maintain a database of "members" or product/service receivers, and their transactions. This centrally located computer database will be used to store permanent customer history, maintain critical personal data, control and document each transaction processed, and provide the conduit for financial settlement. In addition, PTSI now has a pending agreement with a primary Chase partner/distributor to issue a collateralized debit card to each participant.

The Card will also provide a "prepayment" vehicle to eliminate any financial collection risk to us and can be used as a depository for incoming insurance payments on behalf of any member. The card will only allow funds to be extracted from the account by defined providers, for specific purpose, such as payment by insurance for prescriptions.

Medical Diagnostic and Medical Disposable Products

With our new 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 afflicted 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 verbal agreements with distribution arms of two major manufacturers and distributors of competing diabetic diagnostic products. We plan to add more of these diagnostic products as we further specialize into this medical niche.

Competition business conditions

Medical Field Competition

The medical industry is highly competitive in the attraction and retention of physician customers, insurers, government agency payors/sponsors and other medical providers. The number of competing companies and the size of such companies vary in different geographic areas. Generally, we are in competition with other PDA technology companies that offer medically related software suites, with the most effective competition coming from companies that possess greater capital resources, have longer operating histories, larger customer bases, greater name recognition and significantly greater financial, marketing and other resources than do we. However, only one competitor is currently using its technologies to pull through business from other ancillary products and services, and no other competitor is currently focused on healthcare services for the poor and indigent.

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:

- a. a. Large publicly traded companies: WebMD, formerly known as Healtheon (HLTH), the former MedicalLogic/Medscape (merged into HLTH) and to a slightly lesser degree Cerner/Citation (CERN), IDX Corporation (IDXC) and venerable Shared Medical (acquired by Seimens) are very broadly involved in healthcare based services including consumer services, E-commerce and connectivity
- b. b. PDA-based companies: PatientKeeper Corp. (formerly Virtmed), ePhysician, which less than two years ago was acquired in asset sale by Ramp Corp. (RCO) and is now downsized, and iScribe, which less than two years ago was reorganized and then merged into AdvacePCS, have announced products that reside on 3-Com's Palm PC. PocketScripts ("PS") is another market entrant that specializes in the electronic prescriptions. Zixcorp (ZIXI) acquired PS in 2003 and is still engaged in a consolidation.

The PatientKeeper product allows physicians to capture billing information for hospital-based accounts and purports to manage receivable transactions (a mix of a 1st generation feature on a 3rd generation technology). EPhysician's (Ramp Corp.) product offering allows prescription ordering from a PDA. On the surface, the former several of these companies provide systems that offer a few of the features of our system. However their approach involves a greater capital cost and is plagued with platform data management disadvantages compared to our product line. Most of these companies, PatientKeeper being the exception, have histories of financial troubles but nonetheless have garnered impressive valuations.

All of the technology-based companies listed above have a similar broad goal to deliver PDA based data management to physicians. One company, AllScripts (MDRX), appears to be positioned to advance to a market leadership position and is the aforementioned company employing a business model similar to us. However, this position is defined by a product distribution of less than 5000 physicians' office sites (2% of the total market) and does not possess a major factor in any medical trade area. Nonetheless, AllScripts employs a "pull-through" business model whereby their technology is employed at the physician's point of care in an effort to provide medical utility and medical content to that physician, but with the greater goal of selling that physician bulk pharmaceuticals.

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.

Real Estate and Hotel/Motel Competition

We have yet to experience any substantial competition for our ResidenceWare products in the motel and apartment market segments, although we expect as this market niche expands we will see products from other software device companies adapt their product lines to enter into this marketplace.

With the increasing use of internet connections in hotels cable companies, WiFi connectivity providers, and kiosks will continue to be our strongest form of competition within this market segment.

Source of principal suppliers

Our suite of software-both medical and real estate and hotel/motel related- is proprietary code and does not require raw materials or principal suppliers. Our software is utilized through over-the-counter PDA's and computer products, as previously discussed. However, our ResidenceWare product is manufactured by third parties. Of the units placed,

approximately one half (1/2) are units manufactured and/or distributed by companies such as ASUS, Casio and Viewsonic. The remaining units were manufactured by Dell Computer, Inc. (Dell). Since October 1, 2004 all units placed have been Dell units; and we do not foresee a change is utilizing solely Dell units in the foreseeable future.

Dependence on a few major customers

We have had limited medical technology sales, and we are dependent on a few major customers for our Residence Ware product line. Currently, our ResidenceWare product is only offered by PCHertz.com and us directly, and our medical software is offered through us, but promoted by multiple consultants.

Patent and trademark applications

We have filed multiple broad based patent applications and intend to file derivative patent applications covering the processes, use and functionality of our technologies and products. Additionally, in July 2002 we began application and received provisional approval for a family of trademarks making use of the mark MD@. The provisional approval applies to the first six individual marks applied for by us. Management is unsure whether we will pursue these applications given the changes to our business focus. More recently we began the process of applying for marks associated with our ResidenceWare hotel/motel products and technologies and our wireless SateLink products and technologies for the satellite media market.

On November 3, 2004, and amended on December 27, 2004, we entered into a Definitive Agreement that called for a series of transactions to be completed between instaCare, our Pharma Tech Solutions Inc. subsidiary and CareGeneration, Inc. One of these transactions contemplated the transfer of a certain prescription drug distribution license. Transfers of these licenses are complicated and time consuming often involving several state regulatory agencies. To mitigate any time delays associated with the license transfer, the companies entered into an exclusive business relationship whereby instaCare and its subsidiary could operate while the license was in transfer. All closing activities surrounding the merger of the companies were completed on January 27, 2005. Merger certificates were filed on February 15, 2005. Pharma Tech Solutions, Inc., which is majority controlled by InstaCare Corp., was the surviving merger entity.

On December 27, 2004, Ronald Kelly, a former director, agreed to seek transfer to Pharma Tech Solutions, Inc. of a Wholesale Drug Distribution License issued by the State of Illinois and jointly governed by regulators from the State of Illinois, the U. S. Drug Enforcement Agency and the U.S. Food and Drug Administration. Also, Mr. Kelly agreed to seek transfer of a reciprocal drug distribution license issued by the State of Indiana, a client list and know-how in the form of written (published) drug distribution policies and procedures applicable to independent prescription drug and diagnostic distributors. Subsequently PTSI and our other subsidiary, PDA Services, Inc., have applied for and received additional prescription drug distribution licenses in the states of New Jersey and North Dakota. We are in the process of establishing distribution centers in those states.

We have not assigned a value to the prescription drug distribution licenses. Licenses of this nature are tightly regulated and allocated by state and federal authorities and are often transferred as part of asset sales and/or sales of client lists. We have placed no value for the client list and know-how also donated.

Government approval and effect on us

Medical Applications

Recent government and industry legislation and rulemaking, especially the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), and industry groups such as the Joint Commission on Accreditation of

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

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

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

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

Medical Devices

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

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

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

Anti-Kickback Regulation

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

Licensure and Prescription Drug Distribution

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

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

Research and Development Expenditures

instaCare acquired much of its software technology and intellectual properties a result of its merger with Medicius, Inc. in 2002, and has expensed all of the on-going development of those technologies and properties. Additional software research and development has subsequently occurred as part of instaCare's development of its ResidenceWare software systems. From inception and through March 31, 2005, instaCare's software research and development cost is \$308,711.

Employees

As of the date of the filing of this registration statement, instaCare has a total of nine (9) part time or contract services employees and nine (9) full staff employees inclusive of five part time and five full staff employees in its principal executive California offices. In addition we employ one full-time employee in North Dakota, one full-time employee in New York, one part-time employee in New Jersey, one full-time employee and one part-time employee based in Florida. In addition, subsequent to our acquisition of CareGeneration, Inc. by instaCare's Pharma Tech Solutions, Inc. subsidiary, there is one additional full-time personnel based in Scottsdale, AZ and two part-time personnel in Carthage, IL. Management foresees the immediate hiring of additional employees over the next twelve months, as we generate sufficient revenues, in management's opinion, to support hiring additional staff. No employees are covered

by labor agreements or employment contracts, except for our contract laborers who we hire under contract but are nonetheless at-will. Management believes our relations with our employees are good.

Reports to Security Holders

We are not required to deliver an annual report to security holders, and will not voluntarily send an annual report. However, we are a reporting company and file reports, proxy and information statements, with the Securities and Exchange Commission. The public may read and copy any materials you file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC and state the address of that site (<http://www.sec.gov>). We have a website at <http://www.instacare.net>, which provides a description of our services and products.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Due to the deficit we have accumulated deficit of \$(10,223,372) since our inception on July 6, 2000 through the period ended December 31, 2004, and with insufficient revenue to support existing operations; our auditors have issued a going concern opinion.

Recently, as discussed below, we have entered into several new business ventures, which have required the company to enter the capital markets to raise capital or to pay for expert services with our stock, so that we might continue. Because we believe we must increase our customer base for our point of care software, and indigent patient care pharmaceutical fulfillment and prescriptions processing system as well as our new ResidenceWare and SatLink product lines so as to continually to increase revenues, we aggressively implemented and are successfully executing our business and marketing strategy by retaining consultants and advisors. As in the past, we have funded these new ventures, and their relating operations by cash provided by financing activities for stock as well as paid the consultants and corporations assisting us with negotiations, marketing, to include customer introductions, primarily through the offerings of our common stock., both common and preferred, options and warrants; thus conserving our capital. Initial effects of these transactions have placed a substantial burden to the overall current value of our common stock, even to the detriment to the smaller block shareholders. However, we believe these transactions will have a long term benefit for all shareholders. We have substantially increased our capital for operations, and subsequent to recent acquisitions and introductions of our new product lines, our revenues have increased substantially.

We will continue, if necessary, to utilize our stock in this manor until fully profitable. We believe our aggressive stock-based compensation throughout 2004 and through 2005 for the services of outside consultants, a corporate strategic planning firms and others who agreed to provide their professional services in exchange for stock, not cash, will benefit us Retaining these individuals and groups who provide capital in exchange for our stock in lieu of cash is a necessity for us achieving market acceptance for our new or newly integrated products and services; for each will require substantial expenditure of significant funds to create awareness and demand by participants in their respective industries. The deployment of new or newly integrated products and services will require the use of our financial and other resources for training our existing sales and customer service personnel and for hiring and training additional salespersons and customer service personnel.

So although InstaCare is still considered a going concern, we have increased revenues in 2005, as evidenced in our 10QSB for the period ended March 31, 2005. We anticipate that our operating cash flow, coupled with the funds raised from financing will be sufficient to meet our operating expenses for the next 12 months. During our normal

course of business, we will, however, experience net negative cash flows from operations throughout 2005, at a minimum.

On June 10, 2005 our Board of Directors removed Ronald R. Kelly as a director as a result of certain transactions and other actions that may have lead to a breach of Mr. Kelly's fiduciary duties as a member of our Board of Directors. Mr. Kelly did not serve on any committee of our Board of Directors at the time of his removal. Further, we engaged special counsel to assist management in investigating the matters surrounding Mr. Kelly's removal and on July 6, 2004 instaCare brought suit in Federal Court against Mr. Kelly and others. On June 16, 2005, we received a letter, dated June 14, 2005, from Mr. Kelly's counsel wherein Mr. Kelly advised us of his resignation as a member of our Board of Directors effective June 1, 2005.

In the summer of 2003, we began discussions for a possible acquisition of MDU Services, Inc. (MDU), a Texas based company that was in several businesses, but of particular interest was MDU's business of providing kiosk-style access to the Internet at hotels and apartment buildings. Envisioning a more robust line of Internet connectivity products for the lodging and apartment management marketplaces, we made an initial offer to acquire MDU in the late fall of 2003. This acquisition has never progressed past the Due Diligence phase, even after we revised our offer in February 2004. Given the time that has passed and the lack of materials provided by MDU for our review, it is questionable whether this acquisition will close, although there are no penalties associated with a delayed closure. We remain interested in MDU's businesses.

Results of Operations for period ended March 31, 2005.

instaCare incurred net losses of \$1,489,909 for the three months ended March 31, 2005. These results include the extraordinary costs incurred through our recent acquisition. However, this performance indicates that instaCare's continuation, is still dependent upon our ability to obtain adequate financing. If instaCare were unable to obtain adequate financing necessary to continue our operations, advance our plan of operations, increase our sales, increase our inventory and working capital, we would be substantially limited. If instaCare were unable to properly fund our plan of operations, our continuation would be jeopardized. Management's plan to overcome our financial difficulties consists of raising additional capital and obtaining revenues from the acquired assets of the CareGeneration, Inc. businesses. At this point, instaCare has no definite plans to return to the capital markets.

The participation necessary to launch our integrated system will be accomplished through the costs of sale and marketing that are estimated to be 60% of revenue.

	For the three months ended	
	March 31,	
Statement of operations data:	2005	2004
Gross profit	\$ 196,649	\$ 55,392
Expenses:		
General & administrative expenses	174,936	59,082
Payroll expense	256,869	80,540
Professional fees	278,618	238,530
Stock-based compensation - related	115,290	-

party		
Stock-based compensation - consulting	346,380	485,119
Software development	-	69,641
Hardware costs	10,075	-
Impairment loss on operating assets	-	111,473
Depreciation	13,138	33,315
Other total income (expenses):	(486,251)	(734,442)
Net (loss)	\$ (1,484,909)	\$ (1,756,750)
Net (loss) per share - basic and fully diluted	\$ (0.00)	\$ (0.01)

The following is an itemization of our results of operations for the three-month period ended March 31, 2005 in comparison to our results of operations for the period ended March 31, 2004.

NET REVENUE

. Net revenue (revenue minus cost of sales) for the three-month period ended March 31, 2005 was \$196,649 as compared to net revenue of \$55,392 for the three-month period ended March 31, 2004. As we emerge from the development stage, we have begun to generate more significant revenue. We cannot guarantee with certainty when we will begin to generate revenue sufficient enough to fund ongoing operations. Our future revenues will be reliant on the acceptance of our software systems, communication tools and suite of software applications.

EXPENSES

GENERAL AND ADMINISTRATIVE EXPENSES

. Our general and administrative expenses relate to the operation and leasing costs of our corporate office. General and administrative expenses for the three-month period ended March 31, 2005 were \$174,936 compared to \$59,082 for the three-month period ended March 31, 2004. We anticipate purchases of equipment and other office related supplies in conjunction with the generation of revenues from business operations.

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PAYROLL EXPENSE

. Our payroll expense consists primarily of management and employee salaries. Payroll expense for the three-month period ended March 31, 2005 was \$256,869 compared to Payroll expense of \$80,540 for the three-month period ended March 31, 2004. A management team has been put in place to oversee the launch of our software systems, communication tools and suite of software applications. Management is focused on controlling payroll expenses until such time as revenues are generated sufficient to increase the salary paid to our executives. Payroll expense increased due to the addition of several new employees in 2004.

PROFESSIONAL FEES

. Our professional fees include fees paid to our accountants and attorneys. Our professional fees for the three-month period ended March 31, 2005 were \$278,618 compared to professional fees of \$238,530 for the three-month period ended March 31, 2004. As we have contracts with the professionals that provide support services for instaCare, our professional fees remain constant.

STOCK-BASED COMPENSATION

. Our stock-based compensation for the three-month period ended March 31, 2005 was \$346,380 compared to stock-based compensation of \$485,119 for the three-month period ended March 31, 2004. In an effort to conserve our cash resources during fiscal 2003, 2004 and into fiscal 2005, we retained the services of outside consultants, a corporate strategic planning firm and a merchant-banking firm who agreed to provide their professional services for instaCare stock and stock options in lieu of cash. We typically retain these consultants for a period of either 90 days or 180 days duration.

SOFTWARE DEVELOPMENT

. Our software development expense for the three-month period ended March 31, 2005 was \$-0- compared to software development expense of \$69,641 for the three-month period ended March 31, 2004. We have maintained our investment in the development of our software as management continues to focus on integrating our software systems, communication tools and suite of software applications with those of our partners.

HARDWARE COSTS

. Our hardware costs represent the cost of goods category for our PDA based Residenceware products associated with the purchase and installation of computer server hardware at our hotel/motel customer sites. Our hardware costs for the three-month period ended March 31, 2005 were \$10,075 as compared to hardware costs of \$0 for the three-month period ended March 31, 2004.

IMPAIRMENT LOSS ON OPERATING ASSETS

. Our impairment loss on operating assets expense for the three-month period ended March 31, 2004 was \$111,473. instaCare incurred no such expense for the three-month period ended March 31, 2005.

DEPRECIATION

. Our depreciation expense was \$13,138 for the three-month period ended March 31, 2005 compared to \$36,377 for the three-month period ended March 31, 2004. This represents depreciation on the assets of instaCare and has decreased due to the asset impairment recognized as of December 31, 2004.

TOTAL OPERATING EXPENSES

. Total operating expenses for the three-month period ended March 31, 2005 were \$1,195,306 compared to \$1,077,700 for the three-month period ended March 31, 2004. The increase in total operating expenses was mainly a result of additional overhead costs required to support the commencement of significant operations.

Note payable

Pinnacle Investment Partners, LP Promissory Note

On March 24, 2004, instaCare was loaned \$700,000 from Pinnacle Investment Partners, LP (Pinnacle). The Secured Convertible Promissory Note bears interest at the rate of 12% per annum, initially matured on September 25, 2004, but was extended for an additional six months at the option of instaCare, and is secured by 14,000,000 shares of our \$0.001 par value common stock. Pinnacle may, at its option, at any time or from time to time, elect to convert some or all of the then-outstanding principal amount of the Note into shares of instaCare's \$0.001 par value common stock at a conversion price of \$0.08 per share, unless such conversion would result in Pinnacle being deemed the "beneficial owner," within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended, of 4.99% or more of

the then outstanding Common Shares of instaCare. In the event instaCare fails to pay any installment or principal or interest when due, the interest rate will then accrue at a rate of 24% per annum on the unpaid balance until the payment default is cured.

On February 10, 2005, instaCare entered into a "Note Extension Agreement" with Pinnacle Partners, LP. The amended Agreement will automatically increase the principal balance of the original secured promissory note dated March 24, 2004 of \$700,000 to \$1,100,000 and the maturity date will automatically be extended to April 26, 2006. Pursuant to the Agreement, instaCare has issued an additional 83,000,000 shares of its \$0.001 par value common stock as collateral for the additional principal of \$400,000. In addition, instaCare has issued 13,000,000 shares of its common stock as a renewal fee to Pinnacle Partners and CJR, Capital, LLC, its designee. InstaCare has recorded a financing expense in the amount of \$227,500, the fair market value of the underlying shares.

InstaCare recorded interest expense totaling \$48,699 and \$22,804 during the three months ended March 31, 2005 and 2004. InstaCare also recorded financing costs totaling \$441,083 during the three months ended March 31, 2005.

Net Income (Loss)

We had net losses of \$1,484,909 for the three months ending March 31, 2005. This loss was due in large part to stock-based compensation for consulting fees and other professional fees.

Past and Future Projected Budget Expenses and Projected Milestones

Through March 31, 2005 instaCare spent the following (tables are approximate):

Fees to Initiate Loan from Pinnacle Inv.	\$ 60,000
Fees for Mercater funds investment	\$ 115,000
Consulting Agreement (marketing)	\$ 50,000
Cash consumed for CareGen acquisition	\$ 110,850
Prescription Drug Inventory	\$ 266,700
General and Administrative	\$ 36,000
Legal and Contracts	\$ 10,000
	\$ 648,550

Our forecasted use of funds through March 31, 2006:

Use of Funds	Expenditure
Anticipated Licensing and physical plant for of Retail Pharmacy	\$ 150,000
General and Administrative	\$ 150,000
Sales and Marketing Retail Pharmacy	\$ 275,000
Technology Implementation (MD@Hand)	\$ 250,000
Prescription Drug Inventory	\$ 275,000
Education/Field Training	\$ 120,000
Sales and Marketing Wholesale Drug Line	\$ 225,000

Cash anticipated CareGen acquisition	\$ 95,000
	\$1,540,000

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Our anticipated milestones through March 31, 2006:

<u>Activity</u>	<u>Anticipated Date</u>
Close Acquisition of CareGeneration, Inc.	March 2005
File for Retail Pharmacy license (AZ)	April 2005
File for additional wholesale license (NJ)	May 2005
Receive Retail license	June 2005
Receive additional wholesale license	June 2005
Secure supplier agreements (retail pharmacy)	June 2005
Secure mail order pharmacy space, build inventory	July 2005
Add sales and marketing staff	August 2005
Begin marketing HUD pilot	October 2005
Initiate marketing to Medicaid clinics	January 2006
Internal and External Sources of Liquidity	

M and E Equities, LLC Renegotiated Note

Based on terms negotiated on March 4, 2002, and after a further documentation process that was completed on April 23, 2003, Medicus, Inc. our merger partner in our June 2002 merger was loaned \$475,000 from M and E Equities, LLC (M&E). A condition of the loan stipulated that Medicus, Inc. complete its merger with us and become a fully reporting public company. As of December 31, 2003, after partial payment of interest and principal and a settlement of a legal dispute that arose over this note and other issues, the remaining value of the note and accrued interest was \$522,527. On March 2, 2004, we renegotiated our debt with M&E. the terms of the agreement are stipulated as follows:

1. \$320,000 is paid to M&E by Wells & Company, Inc., Lima Capital, Inc., JC Financial and Corporate Architects, Inc. to satisfy a remaining principal amount of \$400,000. We were informed that these four entities purchased the note from M&E for investment purposes. At the time of the M&E Note transaction Wells & Company was a consultant to us providing merger and acquisition and strategic planning consultation to the officers of instaCare. Subsequently Wells & Company and Corporate Architects, Inc. have from time to time provided consulting services to us in the area of mergers, acquisitions consulting and introductory services to potential merger partners. We have no relationship with either Lima Capital, Inc. or JC Financial.
2. M&E agreed to transfer 10,000,000 of the Class A Warrants, formerly issued by Medicus, Inc. with an expiration date of January 5, 2005 to Empyreon.net for \$30,000 and 2,000,000 Class A Warrants to Mr. Moshe Mendlowitz for \$20,000. We incurred financing costs during the year ended December 31, 2004 totaling \$405,700, the deemed value of the Warrants on the transfer date based on the Black-Scholes Valuation Model.
3. The outstanding note balance of \$200,526 was recapitalized into 207,526 shares of our \$0.001 par value Class A Convertible Preferred Stock and registered in M&E's name. Each share of Class A 2002 Convertible Preferred Stock is convertible into 18 shares (3,717,468 total) of our \$0.001 par value common stock at

\$0.055556 per share. M&E agrees to hold the Preferred Shares for a minimum of one year, pursuant to Rule 144, with no conversions allowed during that period of time. After one year, M&E may convert and sell only 500,000 shares of our \$0.001 par value common stock every 60 days as permissible by Rule 144.

The February 2005 investment by Mercator Momentum Fund, LP and Monarch Pointe Fund, Ltd. and the additional investment by Pinnacle Investment Partners, LP raised a total of \$2,400,000. These funds were raised to facilitate our acquisition of CareGeneration, Inc., which was accomplished on February 25, 2005, and the investment required to plan, acquire and market the anticipated "closed door" internet pharmacy. We believe our cash and cash equivalents of \$1,849,198 will be sufficient to fund ongoing fiscal 2005 and 2006 operations and provide for our working capital needs. Our current ratio as of March 31, 2005 was 1.92 given current assets of \$2,774,900 and current liabilities of 1,446,883. Current ratio is calculated by dividing current assets by current liabilities. This ratio relates to our ability to pay short-term debt as it becomes due. Our ability to continue as a going concern is contingent upon our ability to achieve and maintain profitable operations. Revenues generated over and above expenses will be used for further development of our services, to provide financing for marketing and promotion, to secure additional customers, equipment and personnel, and for other working capital purposes.

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Net cash used by operating activities during the three-month period ended March 31, 2005 was \$938,048, which was primarily due to the net loss of \$1,499,909 offset by shares issued for stock-based compensation of \$896,530. This compares to net cash used by operating activities during the three-month period ended March 31, 2004 of \$249,760, which was primarily due to the net loss of \$1,756,750 offset by shares issued for various purposes totaling \$1,071,096.

Net cash provided by investing activities during the three-month period ended March 31, 2005 and 2004 was \$0. As cash flow allows, we may enter into investing activities on a case-by-case basis should management believe it prudent to do so.

Net cash provided by financing activities during the three-month period ended March 31, 2005 was \$2,757,973 comprised of a reduction of \$11,027 as payments made on an note payable to a shareholder, \$400,000 in proceeds from long-term debt, a revolving line of credit in the amount of \$215,950, the issuance of preferred series "C" stock in the amount of \$2,000,000 and \$153,050 received from the issuance of common stock. This compares to net cash provided by financing activities during the three-month period ended March 31, 2004 of \$1,005,734 comprised of \$5,000 in convertible notes payable to a related party, \$550,000 in proceeds from long-term debts, \$35,334 in proceeds from note payable to shareholder and \$425,400 received from the issuance of common stock.

To date, we have financed our cash flow requirements through an issuance of common stock and through the issuance of notes. During our normal course of business, we will experience net negative cash flows from operations, pending receipt of revenues. Further, we may be required to obtain financing to fund operations through additional common stock offerings and bank borrowings, to the extent available, or to obtain additional financing to the extent necessary to augment our available working capital.

Critical Accounting Policy and Estimates

Our Management's Discussion and Analysis or Plan of Operation section discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

On an on-going basis, management evaluates its estimates and judgments, including those related to accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical

experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources. These accounting policies are described at relevant sections in this discussion and analysis and in the notes to the financial statements included in this registration statement.

Description of Property

instaCare's headquarters and principal facilities are located at 2660 Townsgate Road, Suite 300, Westlake Village, CA 91361. This facility had been rented by Medicius, Inc. prior to our June 2002 merger. The lease terminated in September 2004. This 2300 sq. foot facility is currently rented on a month to month basis without a lease at a rate of \$3750.00 per month. We may leave this facility at any time without penalty. In addition the CEO of instaCare, Robert Cox, at no cost to the corporation, is currently providing facilities at his offices in Ft. Salonga, New York, which are available to instaCare upon request and are used by Mr. Cox when he is not traveling. On July 1, 2005 we agreed to a month to month sub-rental for not longer than one year of a warehouse and shipping facility in Colonia, NJ. The rental is \$1500.00 per month and offers us an east coast warehouse facility for short term storage of prescription diagnostics purchased on the spot market.

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Until April 30, 2005 we maintained offices in a 17,500 sq. foot facility for our Pharma Tech Solutions, Inc. operations at 15945 N. 76th St. Scottsdale AZ 85260. Immediately after our acquisition of the former CareGeneration, Inc. we shared this office with Futurecom Global, Inc., a company owned and controlled by Ronald Kelly, a former director of instaCare Corp. and the former controlling shareholder of CareGeneration, Inc.

We have entered into a one-year lease, expiring on December 31, 2005, at 96 S. Madison, Carthage, IL owing to our recent acquisitions of the prescription drug distribution businesses. The facility being rented is a specialty warehouse facility that serves instaCare as a prescription drug storage facility. The rent on this facility is \$3750.00 and the lessors are Ronald R. and Linda R. Kelly. Mr. Kelly is a related party and was a former director of instaCare and the controlling shareholder of our recent acquisition CareGeneration, Inc.

We do plan to consolidate our offices in the foreseeable future. This consolidation may require one or more physical moves. If additional facilities are needed, management believes that suitable expansion space is available to meet our future needs at commercially reasonable terms.

Certain Relationships And Related Transactions

In August 2002 we issued 5,725,000 shares of our \$0.001 par value common stock to CareDecision.net, Inc. pursuant to its election to convert 750,000 Preferred shares held in Medicius, Inc. CareDecision.net, Inc. was a private corporation that previous to our June 2002 merger with Medicius, Inc., current directors Keith Berman and Robert Jagunich had served in similar positions. This election was made pursuant to the Meger Agreement between Medicius, Inc. and InstaCare.

In November 2002 we issued 875,000 restricted shares of common stock to CareDecision.net, Inc., for purchasing their empower care software and the caredecision.net web domain. CareDecision.net, Inc. was a private corporation that previous to our June 2002 merger with Medicius, Inc., current directors Keith Berman and Robert Jagunich had served at CareDecision.net, inc. in similar positions..

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In November 2002 we issued 1,267,963 restricted shares of common stock, to Keith Berman for retiring his Note. Mr. Berman has been Secretary, Chief Financial Officer and a director of the Company since January 2003.

In November 2002, we issued 640,000 restricted shares of common stock to Robert Jagunich for his exercising 640,000 merger warrants at a strike price of \$0.05. Mr. Jagunich has been a director of the Company since January 2003.

During the six months ended June 30, 2003, instaCare acquired fully developed software from CareDecision.net, Inc, a private corporation where previous to our June 2002 merger with Medicius, Inc., and where current directors of instaCare Keith Berman and Robert Jagunich had served in similar positions. Pursuant to the agreement, instaCare paid CareDecision.net, Inc. the sum of \$181,250 with 2,500,000 shares of our \$0.001 par value common stock.

In December 2002 the Board of Directors agreed to issue restricted shares to Robert Cox, Keith Berman and William Lyons, pursuant to a bonus arrangement clause in the June 2002 merger agreement between the company and its merger target Medicius, Inc. These shares were issued in September 2003. Messrs. Berman and Lyons each received 1,250,000 restricted shares and Mr. Cox, the CEO of the company, 1,500,000 restricted shares. At the time of this issuance Mr. Cox was the sole officer and director. In January 2003 Messrs. Berman and Lyons were elected directors.

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In September 2003 we issued 4,127,093 restricted shares of common stock to Robert Jagunich as compensation for services he had provided in October-December 2002. During the service provision period in 2002 Mr. Jagunich was neither an officer, director or affiliate of the company. Mr. Jagunich was elected as a director in January 2003.

Ronald Kelly served instaCare as a director and consultant. He acted as Vice-President and Director of our subsidiary Pharma Tech Solutions, Inc. In February 2005 our subsidiary Pharma Tech Solutions, Inc. acquired CareGeneration, Inc. a company controlled by Mr. Kelly. Upon the closing of that acquisition, Mr. Kelly was elected as a Director of instaCare and an officer and Director of our subsidiary. Subsequently, on June 10, 2005 he was removed for cause.

Our officers, Mr. Robert Cox and Mr. Keith Berman, serve as the sole officers for each of our two wholly owned subsidiaries: Pharma Tech Solutions, Inc PDA Services, Inc. For each subsidiary, the Mr. Cox and Mr. Berman serve in the following capacities:

Pharma Tech Solutions, Inc.	PDA Services, Inc.
President - Keith Berman	President - Keith Berman
Secretary - Robert Cox	Secretary - Robert Cox
Treasurer - Keith Berman	Treasurer - Keith Berman
Director - Keith Berman	Director - Keith Berman

There have been no other actual or proposed transaction that occurred over the past two years to which any person related to the issuer had or is to have a direct or indirect material interest as set forth in item 404 of Regulation S-B of the Securities and Exchange Act of 1933.

Compensation Table

The table below sets forth information concerning compensation for the named executive officer of instaCare for the periods indicated.

SUMMARY COMPENSATION TABLE

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Name & Principal Position	Annual Compensation			Awards		Payouts		
	Year	Salary (\$)	Bonus (\$)	Other Annual Compen - sation (\$)	Restricted Stock Award(s)	Securities Underlying Options (#)	Long-Term Incentive Plan Payouts (\$)	All Other Compen- sation (\$)
Robert Cox, President	2004	40,450						
	2003	30,000			750,000	750,000		
	2002	30,000						
	2001	100,000						
Keith Berman, Secretary Treasurer	2004	16,600						
	2003	16,600			625,000	625,000		
	2002	16,820						

Directors' compensation:

As compensation for their services as members of the board of directors, in 2003 we issued to each independent board member stock options to purchase 20,000 shares of common stock at an exercise price of \$.025 per share. These options are exercisable in full commencing December 19, 2003, and expire December 19, 2008. Outside directors are also paid a fee of \$2,500 per quarter or \$10,000 per year. The board members who are executives of instaCare received no additional compensation in excess of their management remuneration.

instaCare Corp.
(formerly CareDecision Corporation)

March 31, 2005 Financial Statements and Footnotes

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instaCare Corp.
(formerly CareDecision Corporation)
Consolidated Balance Sheet
(unaudited)

Assets	March 31, 2005 (RESTATED)
Current assets:	
Cash and equivalents	\$ 1,849,198
Inventory	433,587
Prepaid compensation	110,670
Note receivable	381,445
Total current assets	2,774,900
 Fixed assets, net	 170,412
 Other assets:	
Loan fees, net of amortization	87,417
Total other assets	87,417
	\$ 3,032,730
 Liabilities and Stockholders' Equity	
Current liabilities:	
Accounts payable	\$ 78,385
Customer deposits	52,460
Convertible note payable	1,100,088
Revolving line of credit	215,950
Total current liabilities	1,446,883
 Stockholders' equity:	
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, 207,526 shares issued and outstanding	208
Preferred series "C" stock, \$0.001 par value, 20,000 shares authorized, 20,000 shares issued and outstanding	20
Common stock, \$0.001 par value, 1,250,000,000 shares	

authorized, 447,140,421 shares issued and outstanding	447,140
Additional paid-in capital	12,846,759
Current year accumulated (deficit)	(1,484,909)
(Deficit) accumulated during development stage	(10,223,372)
	1,585,846
	\$ 3,032,730

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

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instaCare Corp.

(formerly CareDecision Corporation)

Consolidated Statements of Operations

(unaudited)

	For the three months ended	
	March 31,	
	2005	2004
	(RESTATED)	(RESTATED)
Revenue	\$ 2,099,390	\$ 55,392
Cost of sales	1,902,741	-
Gross profit	196,649	55,392
Expenses:		
General & administrative expenses	174,936	59,082
Payroll expense	256,869	80,540
Professional fees	278,618	238,530
Stock-based compensation - related party	115,290	-
Stock-based compensation - consulting	346,380	485,119
Software development	-	69,641
Hardware costs	10,075	-
Impairment loss on operating assets	-	111,473
Depreciation	13,138	33,315
Total expenses	1,195,306	1,077,700

Net operating (loss)	(998,657)	(1,022,308)
Other income (expense):		
(Loss) on debt settlement	-	(317,136)
Interest income	3,531	-
Financing costs	(441,083)	(408,255)
Interest (expenses)	(48,699)	(9,051)
Net (loss)	(1,484,909)	(1,756,750)
Weighted average number of common shares outstanding - basic and fully diluted	414,096,161	138,419,487
Net (loss) per share - basic and fully diluted	\$ (0.00)	\$ (0.01)

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

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instaCare Corp.
(formerly CareDecision Corporation)
Consolidated Statements of Cash Flows
(unaudited)

	For the three months ended March 31,	
	2005 (RESTATED)	2004 (RESTATED)
<u>Cash flows from operating activities</u>		
Net (loss)	\$ (1,484,909)	\$ (1,756,750)
Adjustment to reconcile net (loss) to net cash (used) by operating activities:		
Shares issued for stock-based compensation	115,290	485,119
Shares issued for consulting fees	346,380	162,000
Shares issued for financing costs	227,500	423,977
Warrants issued for consulting	107,000	-
Loss on impairment of operating assets	-	111,473
Loss on debt settlement	-	317,136
Depreciation	13,138	33,315
Loan amortization	6,583	-
Changes in operating assets/liabilities		
(Increase) in accounts receivable	-	(55,500)

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(Increase) in inventory	(232,684)	-
(Increase) in notes receivable	(273,945)	35,000
(Increase) in other assets	(57,657)	(3,350)
Increase in customer deposits	39,960	-
(Decrease) in accounts payable	(36,316)	-
(Decrease) in other liabilities	-	(2,180)
Net cash (used) by operating activities	(1,229,660)	(249,760)
Cash flows from financing activities		
Payments on note payable - shareholder	(11,027)	-
Convertible notes - related party	-	(5,000)
Proceeds from long-term debt	400,000	550,000
Revolving line of credit	114,350	-
Proceeds from note payable to shareholder	-	35,334
Issuance of preferred series "C" stock	2,000,000	-
Issuance of common stock	153,050	425,400
Net cash provided by financing activities	2,656,373	1,005,734
Net increase in cash	1,426,713	755,974
Cash - beginning	422,486	29,273
Cash - ending	\$ 1,849,199	\$ 785,247
Supplemental disclosures:		
Interest paid	\$ 48,699	\$ -
Income taxes paid	\$ -	\$ -
Non-cash transactions:		
Number of common shares issued for stock-based compensation	-	23,115,500
Number of warrants issued for interest expense	-	10,000,000
Number of common shares issued for settlement	-	6,510,000
Number of stock options issued for services	18,040,000	-
Number of common shares issued for conversion of debt to equity	-	7,350,000
Number of preferred shares issued for financing costs	20,000	207,526
Number of shares issued for financing	30,500,000	-
Number of shares issued per merger agreement	52,500,000	-
Number of stock options issued as compensation	63,000,000	-
Number of warrants issued for financing	103,500,000	-

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

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instaCare Corp.
(formerly CareDecision Corporation)
Notes to Restated Financial Statements

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, 2004 and notes thereto included in the Company's Form 10-KSB. The Company follows the same accounting policies in the preparation of consolidated interim reports.

The Company was organized July 6, 2000 (Date of Inception) under the laws of the State of Nevada as Promedicus, Inc. On June 21, 2002, the Company merged with ATR Search Corporation, Inc. and filed amended articles of incorporation changing its name to CareDecision Corporation and subsequently changed its name to instaCare Corp. effective April 14, 2005. The Company was in the development stage through December 31, 2004. The year 2005 will be the first year during which the Company will be considered an operating entity no longer in the development stage.

Correction of an error

The Company has restated its previously issued consolidated financial statements for matters related to the following previously reported items: stockbased compensation, loss on debt settlement and impairment loss. The accompanying financial statements for March 31, 2005 have been restated to reflect the error corrections. The Company's accumulated (deficit) at March 31, 2005, was increased by \$116,931 as a result of prior period error corrections. The prior period errors had not effect on net income for the period ending March 31, 2005.

	2005		2004
Accumulated (deficit) at beginning of year,			
	\$ (10,223,372)	\$	(4,554,644)
As previously reported			
Prior period adjustment - Error in valuation of Certain stock based compensation in 2002 and 2003	-0-		(116,931)
Write-down due to impairment of fixed assets			(1,000,770)
Accumulated (deficit) at beginning of period,			(5,672,345)
As restated	(10,223,372)		
Net (loss)	(1,484,909)		(4,551,027)

Accumulated (deficit) at end of period	\$	(11,708,281)	\$	(10,223,372)
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Results of operations for the interim periods are not indicative of annual results.

Note 2 - Going concern

The Company has an accumulated deficit as of March 31, 2005, and 2004 of \$11,708,281 and \$7,429,095, respectively. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The Company needs to obtain additional financing to fund payment of obligations and to provide working capital for operations. Management is seeking additional financing, and is now looking for a merger or acquisition candidate. The Company intends to acquire interests in various business opportunities, which in the opinion of management will provide a profit to the Company. Management believes these efforts will generate sufficient cash flows from future operations to pay the Company's obligations and working capital needs. There is no assurance any of these transactions will occur. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

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instaCare Corp.
(formerly CareDecision Corporation)
Notes to Restated Financial Statements

Note 3 - Business combinations

On November 4, 2004, the Company entered into a definitive "Agreement and Plan of Merger" whereby the Company's wholly owned subsidiary, Pharma Tech, Inc., would acquire all of the outstanding shares of CareGen, Inc., a Nevada corporation, in exchange for 39,750,000 shares of Pharma Tech's \$0.001 par value common stock and 42,500,000 shares of the Company's \$0.001 par value common stock. On February 5, 2005, the Company consummated the Merger through the exchange of shares. CareGen, Inc. ceased to exist and all assets, certain liabilities and capital accounts were assumed by Pharma Tech, Inc. as the surviving corporation. The Merger was structured as a tax-free exchange pursuant to internal revenue code 368, as amended.

Note 4 - Fixed assets

Depreciation expense totaled \$13,138 and \$33,315 for the three-month period ended March 31, 2005 and 2004, respectively.

Note 5 - Notes payable

Pinnacle Investment Partners, LP Promissory Note

On March 24, 2004, the Company was loaned \$700,000 from Pinnacle Investment Partners, LP (Pinnacle). The Secured Convertible Promissory Note bears interest at the rate of 12% per annum, initially matured on September 25, 2004, but was extended for an additional six months at the option of the Company, and is secured by 14,000,000 shares of the Company's \$0.001 par value common stock. Pinnacle may, at its option, at any time or from time to time, elect to convert some or all of the then-outstanding principal amount of the Note into shares of the Company's \$0.001 par value common stock at a conversion price of \$0.08 per share, unless such conversion would result in Pinnacle being deemed the "beneficial owner," within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended, of 4.99% or more of the then outstanding Common Shares of the Company. In the event the Company fails

to pay any installment or principal or interest when due, the interest rate will then accrue at a rate of 24% per annum on the unpaid balance until the payment default is cured.

On February 10, 2005, the Company entered into a "Note Extension Agreement" with Pinnacle Partners, LP. The amended Agreement will automatically increase the principal balance of the original secured promissory note dated March 24, 2004 of \$700,000 to \$1,100,000 and the maturity date will automatically be extended to April 26, 2006. Pursuant to the Agreement, the Company has issued an additional 83,000,000 shares of its \$0.001 par value common stock as collateral for the additional principal of \$400,000. In addition, the Company has issued 13,000,000 shares of its common stock as a renewal fee to Pinnacle Partners and CJR, Capital, LLC, its designee. The Company has recorded a financing expense in the amount of \$227,500, the fair market value of the underlying shares.

The Company recorded interest expense totaling \$48,699 and \$22,804 during the three months ended March 31, 2005 and 2004. The Company also recorded financing costs totaling \$441,083 during the three months ended March 31, 2005.

Note 6 - Commitments

On January 16, 2005, the Company entered into a three month consulting agreement with Steven Bayern, whereby Mr. Bayern agreed to provide business advisory and strategic planning and development services to the Company. As compensation for his services, the Company will issue Mr. Bayern 5,000,000 shares of its \$0.001 par value common stock with 1,250,000 vesting 15 days after the execution of agreement. As of March 31, 2005, the Company has expensed \$42,500 as consulting fees per the agreement.

On February 1, 2005, the Company entered into a financial consulting agreement with Pylon Management, Inc. expiring on December 31, 2005. Pursuant to the agreement, Pylon Management will be compensated for services in the form of option to purchase up to 18,500,000 shares of the Company's common stock at \$0.02 per share. As of March 31, 2005, no options have been granted.

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instaCare Corp.
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Notes to Restated Financial Statements

On February 10, 2005, the Company entered into a six-month consulting agreement with Victor Pallante for financial advisory services in exchange for cash in the amount of \$50,000 due upon execution of the agreement and 5,000,000 shares of the Company's \$0.001 par value common stock to be considered earned over the term of the agreement and issued incrementally. As of March 31, 2005, the Company expensed consulting fees in the amount of \$50,000.

Note 7 - Stockholder's equity

The Company is authorized to issue 5,000,000 shares of \$0.001 par value preferred stock; of which 750,000 shares are designated as Series A, 500,000 shares are designated as Series B, 20,000 shares are designated as Series C, 750 shares are designated as Series D, and 1,250,000,000 shares of \$0.001 par value common stock.

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 \$0.02 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.

On February 7, 2005, the Company reached an agreement with Mercator Momentum Fund, LP and Monarch Pointe Fund, Ltd. and Mercator Advisory Group, LLC ("the Purchasers") whereby the Purchasers acquired 20,000 shares of the Company's Series "C" preferred stock for cash in the amount of \$2,000,000. Each share of preferred series "C" stock is convertible into shares of the Company's common stock at a rate equal to 80% of the market price prior to conversion. The Company will also issue 100,000,000 warrants to purchase shares of the Company's common stock, 50,000,000 of the warrants having an exercise price of \$0.02 and 50,000,000 having an exercise price of \$0.03. The value of the warrants, using the Black-Scholes pricing model, was \$100,000 and this was recorded as a financing expense.

Preferred stock

The Company issued 207,526 of its \$0.001 par value preferred shares for financing costs of \$354,800. Each preferred share is convertible into 18 shares of the Company's \$0.001 par value common stock.

Common stock

The Company issued 7,350,000 shares of its \$0.001 par value common stock to various individuals to convert \$522,000 in debt to equity during the year ended December 31, 2004.

The Company issued 6,510,000 shares of its \$0.001 par value common stock in order to settle the disputes with investors and agents which arose over the M&E Note, and which allowed the M&E Note to be settled and converted. The value of the shares was \$377,136 and is recorded as a loss on debt settlement during the year ended December 31, 2004.

On July 31, 2004, a note holder elected to convert its \$50,000 face value loan into shares of the Company's \$0.001 par value common stock in full satisfaction of the loan plus accrued interest.

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instaCare Corp.
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Notes to Restated Financial Statements

During the year ended December 31, 2004, the Company issued 108,805,500 shares of its \$0.001 par value common stock to various individuals and entities for consulting services for the Company's hotel network business, consulting fees associated with the Company's proposed merger with Kelly companies, finders fees to two individuals who introduced the Company to its proposed satellite e-broadcast partner, finders' fees to two individuals who introduced the Company to the Kelly Companies, agent's fees associated with the Company's proposed acquisition of MDU Services, Inc., agent's fees for the introduction and fees associated with the Company's recent agreement with an e-business partner for the hotel product sector, contract fees associated to develop and complete certain software for its hotel sector product and technical expenses incurred associated with the agreement, documentation and initiation fees owing to the Pinnacle Note investment, collectively valued at \$1,493,806 and professional fees valued at \$556,165. Also as of December 31, 2004, the Company placed in escrow 17,000,000 shares of its \$0.001 par value common stock as security for the Pinnacle Note investment.

During the year ended December 31, 2004, the Company issued 6,000,000 shares of its \$0.001 par value common stock in connection with loan renewal fees totaling \$76,000.

On November 11, 2004, the Company issued 300,000 shares of its \$0.001 par value common stock to a director of the Company in exchange for director services valued at \$5,400.

On January 13, 2005, the Company issued 7,250,000 shares of its \$0.001 par value common stock for services received in connection with financing arrangements valued at \$137,750, the fair market value of the underlying shares.

On February 2, 2005, the Company issued 10,790,000 shares of its \$0.001 par value common stock in exchange for consulting services valued at \$183,430, the fair market value of the underlying shares.

On March 14, 2005, the Company issued 42,500,000 shares of its \$0.001 par value common stock pursuant to the "Agreement and Plan of Merger," entered into on November 4, 2005, to the shareholders of CareGen, Inc. (see note 2). The Company recorded an investment in the amount of \$42,500. Additionally, the Company issued 10,000,000 shares of common stock to various individuals for cash in the amount of \$28,050 and services valued at \$151,950, which were expensed as consulting fees as of March 31, 2005.

On March 14, 2005, the Company issued 17,500,000 shares of its \$0.001 par value common stock in exchange for services rendered in connection with financial consulting, valued at \$190,000, and cash in the amount of \$125,000.

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

Note 8 - Warrants and options

On February 7, 2005, the board of directors approved the issuance of warrants to purchase 100,000,000 shares of the Company's common stock to Mercator LLP in connection with financing arrangements. Such warrants are exercisable over a period of three years at an exercise price of \$0.02 for the initial 50,000,000 shares and \$0.03 for the remaining 50,000,000 shares. The value of the warrants using the Black-Scholes pricing model was \$100,000, which was recorded as financing costs as of March 31, 2005.

On February 7, 2005, the board of directors approved the issuance of warrants to purchase 3,500,000 shares of the Company's common stock to Pylon Management for payment of consulting services. The warrants are exercisable at a price of \$0.02 per share and vest over a period of three years. The value of the warrant using the Black-Scholes pricing model was \$7,000, which was recorded as a consulting expense at March 31, 2005.

The weighted average of the assumptions used to value the warrants in February 2005 were: Interest rate-3.50%, Days to expiration-1095, Stock price \$0.02, Strike price-\$0.02-\$0.03, Volatility-0%, Yield-0%.

On February 5, 2005, the Company adopted its "2005 Stock Option Plan" (the "Plan") and granted incentive and nonqualified stock options with rights to purchase 90,000,000 shares of the Company's \$0.001 par value common stock. The Company issued 63,000,000 shares of stock pursuant to the plan during the three months ended March 31, 2005.

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On February 15, 2005, the Company granted stock options to three of its officers and director, to purchase 63,000,000 shares of \$0.001 par value common stock at a strike price of \$0.02 per share pursuant to the Company's 2005 Stock Option Plan. The value of the options on the grant date using the Black-Scholes Model is \$115,290, which has been recorded as compensation expense on the Statement of Operations as of March 31, 2005.

The following is a summary of activity of outstanding stock options under the 2005 Stock Option Plan:

	Number Of Shares	Weighted Average Exercise Price
Balance, January 1, 2005	-	-
Options granted	63,000,000	\$0.02
Options exercised	-	-
Balance, March 31, 2005	63,000,000	0.02
Exercisable, March 31, 2005	63,000,000	\$0.02

The following is a summary of information about the 2005 Stock Option Plan options outstanding at March 31, 2005

Range of Exercise Prices	Shares Underlying Options Outstanding			Shares Underlying Options Exercisable	
	Options Outstanding	Contractual Life	Weighted Average Exercise Price	Options Underlying	Weighted Average Exercise Price
\$0.002 - 0.002	63,000,000	3 years	\$0.02	63,000,000	\$0.02

Pro forma information regarding net income and net income per share, as disclosed in Note 1, has been determined as if the Company had accounted for its non-employee stock-based compensation plans and other stock options under the fair value method of SFAS No. 123. The fair value of each option and warrant grant are estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants under the fixed option plan:

2005	2004
------	------

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Average risk-free interest rates	3.50 %	%
Average expected life (in years)	3	
Volatility	0 %	%

The Black-Scholes option valuation model was developed for use in estimating the fair value of short-term traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The weighted average fair value of options granted with exercise prices at the current fair value of the underlying stock during 2005 was approximately \$0.02 per option.

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instaCare Corp.
(formerly CareDecision Corporation)
(a Development Stage Company)

December 31, 2004 Financial Statements and Footnotes

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Beckstead and Watts, LLP

Certified Public Accountants

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying balance sheet of CareDecision Corporation (the "Company") (A Development Stage Company), as of December 31, 2004 and 2003, and the related statement of operations, stockholders' equity, and cash flows for the years then ended, and for the period from June 21, 2001 (Date of Inception) to December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CareDecision Corporation (A Development Stage Company) as of December 31, 2004 and 2003, and the results of its operations and cash flows for the years then ended, and for the period June 21, 2001 (Date of Inception) to December 31, 2004, in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has had limited operations and have not commenced planned principal operations. This raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Beckstead and Watts, LLP

March 30, 2005

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instaCare Corp.
(formerly CareDecision Corporation)
(a Development Stage Company)
Consolidated Balance Sheets

	December 31, 2004 (RESTATED)	December 31, 2003 (RESTATED)
Assets		
Current assets:		
Cash and equivalents	\$ 422,486	\$ 29,273
Inventory	200,903	-

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Notes receivable	107,500	50,000
Total current assets	730,889	79,273
Fixed assets, net	183,551	670,288
	914,440	749,561
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	114,702	-
Accrued expenses	304,750	-
Customer deposits	12,500	-
Notes payable to officers - short term portion	-	82,568
Note payable	112,628	572,527
Revolving line of credit	-	2,180
Total current liabilities	544,580	657,275
Notes payable to officers - long term portion	-	14,400
Long-term debts	700,088	-
	1,244,668	671,675
Stockholders' equity:		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, 207,526 shares issued and outstanding	208	-
Common stock, \$0.001 par value, 1,250,000,000 shares authorized, 263,100,421 and 120,244,921 shares issued and outstanding as of 12/31/04 and 12/31/03, respectively	263,100	120,245
Additional paid-in capital	9,629,835	5,629,986
(Deficit) accumulated during development stage	(10,223,372)	(5,672,345)
	(330,228)	77,886
	\$ 914,440	\$ 749,561

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

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instaCare Corp.
(formerly CareDecision Corporation)
(a Development Stage Company)

Consolidated Statements of Operations

	For the year ended		July 6, 2000
	December 31,		(inception) to
	2004	2003	December 31,
	(RESTATED)	(RESTATED)	2004
			(RESTATED)
Revenue, net	\$ 182,112	\$ 75,813	\$ 259,925
Cost of sales	-	-	22,449
Gross profit	1,555	1,555	(20,894)
Expenses:			
Hardware costs	66,712	-	66,712
Network and infrastructure	172,915	-	172,915
General & administrative expenses	156,452	148,192	437,208
Payroll expense	369,448	213,012	769,279
Stock-based compensation for employee benefits	738,600	-	738,600
Stock-based compensation for professional fees	-	62,422	234,274
Stock-based compensation for consulting services	1,326,269	1,433,797	4,250,581
Stock-based compensation for software development	21,600	-	21,600
Software development	119,640	60,971	309,611
Impairment loss on operating assets	415,078	-	1,415,848
Depreciation	99,910	132,587	277,807
Total expenses	3,486,624	2,050,981	8,813,715
Net operating (loss)	(3,304,512)	(1,975,168)	(8,553,789)
Other income (expense):			
Loss on settlement	(377,136)	(77,094)	(482,090)
Interest income	3,527	561	6,318
Merger expenses	(304,750)	-	(304,750)
Financing costs	(481,700)	-	(408,255)
Interest expense	(86,456)	(117,107)	(365,810)
Net (loss)	\$ (4,551,027)	\$ (2,168,808)	\$ (10,223,372)
Weighted average number of			

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common shares outstanding - basic and fully diluted	205,914,365	94,259,147
Net (loss) per share - basic and fully diluted	\$ (0.02)	\$ (0.02)

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

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instaCare Corp.
(formerly CareDecision Corporation)
(a Development Stage Company)
Consolidated Statement of Changes of Stockholders' Equity

	Preferred Stock		Common Stock		Additional Paid-in Capital	During Development Stage	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
						(Deficit)	
						Accumulated	
Shares issued for cash	-0-	\$ -0-	6,000,000	\$ 6,000	\$ 8,695	\$ -0-	\$ 14,695
Net (loss), July 6, 2000 (inception) to December 31, 2000						(9,717)	(9,917)
Balance, December 31, 2000	-0-	-0-	6,000,000	6,000	8,695	(9,717)	4,978
Shares issued for services			500,000	500	-		500
Shares issued to acquire intellectual property	750,000	750	-	-	186,750		187,500
Shares issued for consulting services			250,000	250	324,750		325,000
Recapitalization adjustment			12,430,000	12,430	(12,430)		-
Net (loss), year ended December 31, 2001						(374,134)	(374,134)
Balance, December 31, 2001 (RESTATED)	750,000	750	19,180,000	19,180	507,765	(383,851)	143,844
Shares issued for consulting services on 3/6/2002			1,825,000	1,825	271,925		273,750
Shares issued for consulting services on 4/19/2002			500,000	500	42,000		42,500
Warrants issued for interest expense on 4/23/2002			-	-	112,800		112,800

Shares received and cancelled in satisfaction of obligation on 6/28/2002		(1,935,000)	(1,935)	(94,815)		(96,750)
Shares issued pursuant to merger agreement on 7/9/2002		32,968,863	32,969	1,473,053		1,506,022
Shares issued for consulting services on 8/1/2002		3,000,000	3,000	147,000		150,000
Shares issued for Medicus shares on 8/1/2002	(750,000)	(750)	1,725,000	1,725	(975)	-
Shares issued for consulting services on 8/9/2002		2,000,000	2,000	138,000		140,000
Shares issued for consulting services on 10/2/2002		950,000	950	41,800		42,750
Shares issued for consulting services on 10/8/2002		6,327,737	6,328	310,059		316,387
Shares issued for cash on 11/21/2002		2,539,574	2,540	197,460		200,000
Shares issued for consulting services on 11/21/2002		3,515,000	3,515	253,080		256,595
Shares issued for cash on 11/21/2002		1,267,963	1,268	59,594		60,862
Shares issued for consulting services on 12/17/2002		1,500,000	1,500	94,500		96,000
					(2,925,507)	(2,925,507)

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

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instaCare Corp.
(formerly CareDecision Corporation)
(a Development Stage Company)
Consolidated Statement of Changes of Stockholders' Equity

Balance, December 31, 2002 (RESTATED)	-	-	75,364,137	75,364	3,553,247	(3,309,358)	319,253
Stock options to acquire 5,500,000 shares of common stock granted on January 21, 2003				-	-	62,150	62,150
Shares issued for consulting services on 1/24/2003		5,500,000	5,500	225,500			231,000
Shares issued for cash on 4/22/03		1,538,500	1,539	48,462			50,000
Stock options to acquire 6,950,000 shares							

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of common stock granted on July 18, 2003	-	-	141,085	141,085
Share dividend issued on 7/21/2003	6,469,161	6,469	(6,469)	-
Shares issued for services on 8/18/2003	1,800,000	1,800	123,200	125,000
Shares issued for consulting services on 8/18/2003	2,500,000	2,500	122,500	125,000
Shares issued to acquire operating software on 9/12/2003	2,500,000	2,500	178,750	181,250
Shares issued for services on 9/12/2003	14,521,248	14,521	588,940	603,461
Shares issued for settlement on 9/12/2003	741,875	742	36,352	37,094
Shares issued for cash on 9/18/2003	2,000,000	2,000	99,600	101,600
Shares issued for cash and services on 9/30/2003	850,000	850	41,650	42,500
Shares issued for services on 9/30/2003	1,000,000	1,000	49,000	50,000
Shares issued for cash and services on 11/8/2003	950,000	950	46,550	47,500
Stock options to acquire 7,300,000 shares				
of common stock granted on November 24, 2003	-	-	91,980	91,980
Cancellation of shares on 11/26/2003	(1,290,000)	(1,290)	1,290	-
Shares issued for services on 11/26/2003	1,000,000	1,000	49,000	50,000
Shares issued for services on 11/26/2003	2,500,000	2,500	87,500	90,000
Shares issued for settlement on 12/3/2003	1,000,000	1,000	39,000	40,000
Shares issued for cash on 12/17/2003	800,000	800	31,200	32,000
Shares issued for cash on 12/18/2003	500,000	500	19,500	20,000
Net (loss), year ended December 31, 2003				(2,362,987) (2,362,987)

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

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instaCare Corp.
(formerly CareDecision Corporation)
(a Development Stage Company)
Consolidated Statement of Changes of Stockholders' Equity

Balance, December 31, 2003	-	-	120,244,921	120,245	5,629,986	(5,672,345)	77,886
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Shares issued for services on January 9, 2004			6,500,000	6,500	255,000		261,500
Shares issued for services on January 13, 2004			1,550,000	1,550	65,950		67,500
Shares issued for services on January 20, 2004			7,250,000	7,250	282,750		290,000
Shares issued for services on January 23, 2004			205,000	205	9,020		9,225
Shares issued for services on February 23, 2004			2,000,000	2,000	78,000		80,000
Shares issued for services on March 3, 2004			900,000	900	35,100		36,000
Shares issued for debt conversion on March 3, 2004	207,526	208	7,350,000	7,350	514,650		522,208
Shares issued for dispute settlement on March 10, 2004			6,510,000	6,510	318,990		325,500
Shares issued for services on March 16, 2004			4,660,500	4,661	181,760		186,420
Shares issued for services on April 2, 2004			1,910,000	1,910	74,490		76,400
Shares issued for services on April 13, 2004			20,050,000	20,050	257,950		278,000
Shares issued for services on April 20, 2004			3,300,000	3,300	128,700		132,000
Shares issued for services on April 28, 2004			8,000,000	8,000	312,000		320,000
Shares issued for services on May 7, 2004			250,000	250	9,750		10,000
Shares issued for services on May 20, 2004			750,000	750	29,250		30,000
Shares issued for services on May 28, 2004			3,000,000	3,000	-		3,000
Shares issued for cash on June 2, 2004			775,000	775	30,225		31,000
Shares issued for cash on June 10, 2004			3,000,000	3,000	117,000		120,000
Stock options issued on August 8, 2004 to acquire 50,000,000 shares			-	-	705,000		705,000
Shares issued for employee stock option plan on August 13, 2004			1,400,000	1,400	32,200		33,600
Shares issued for services on August 13, 2004			20,000,000	20,000	130,000		150,000
Shares issued for services on			750,000	750	24,750		25,500

August 25, 2004

Shares issued for services on September 13, 2004	2,850,000	2,850	43,243	46,093
Shares issued for debt conversion on September 13, 2004	2,000,000	2,000	48,000	50,000
Shares issued for services on October 12, 2004	14,250,000	14,250	-	14,250
Shares issued for cash on October 12, 2004	9,750,000	9,750	185,250	195,000
Shares issued for renewal fees on November 2, 2004	4,000,000	4,000	34,000	38,000
Shares issued for cash on November 3, 2004	3,577,778	3,578	60,822	64,400
Shares issued for services on November 3, 2004	4,317,222	4,317	-	4,317
Shares issued for renewal fees on November 29, 2004	2,000,000	2,000	36,000	38,000
Net (loss), year ended December 31, 2004		-	(4,551,027)	(4,551,027)
		\$	\$	\$
Balance, December 31, 2004	207,526	\$ 208	263,100,421	263,100
		9,629,835	(10,223,372)	\$ (330,228)

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

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instaCare Corp.
(formerly CareDecision Corporation)
(a Development Stage Company)
Consolidated Statements of Cash Flows

	For the year ended December 31, 2004	2003	June 21, 2001 (inception) to December 31, 2004
Cash flows from operating activities			
Net (loss)	\$ (4,551,027)	\$ (2,168,808)	\$ (10,223,372)
Adjustments to reconcile net (loss) to net cash (used) by operating activities:			
Stock-based compensation for employee benefits	738,600	-	738,600
Stock-based compensation for consulting services	1,326,269	1,433,797	4,519,544
Stock-based compensation for professional fees	-	-	234,274
Stock-based compensation for software development	21,600	-	21,600
Stock-based compensation for financing costs	481,700	-	481,700

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Warrants issued for interest expense	-	-	112,800
Loss on settlement	377,136	77,094	482,090
Impairment loss on operating assets	415,078	-	1,415,848
Depreciation	99,910	132,587	277,807
Changes in operating assets and liabilities			
Decrease in prepaid interest	-	67,680	-
Decrease in loan to shareholder	-	9,576	-
(Increase) in inventory	(200,903)	-	(200,903)
(Increase) in note receivable	(57,500)	(44,624)	(107,500)
Increase in accrued expenses	304,750	-	304,750
Increase in accrued interest related to long-term debts	-	26,422	-
Increase in customer deposits	12,500	-	12,500
(Decrease) in other liabilities	-	-	-
Increase in accounts payable - related party	114,702	-	114,702
Net cash (used) by operating activities	(917,184)	(466,276)	(1,815,560)
Cash flows from financing activities			
Convertible notes - related party	50,000	-	64,400
Proceeds from notes payable to shareholders	51,084	96,968	148,053
Payments on note payable to shareholders	(116,175)	-	(138,412)
Revolving line of credit	-	2,180	-
Proceeds from long-term debts	700,088	50,000	1,043,294
Issuance of common stock	625,400	235,300	1,120,711
Net cash provided by financing activities	1,310,397	384,448	2,238,046
Net increase in cash	393,213	(81,828)	422,486
Cash - beginning	29,273	111,101	-
Cash - ending	\$422,486	\$29,273	\$422,486
Supplemental disclosures:			
Interest paid	\$76,856	\$-	\$76,856
Income taxes paid	\$-	\$-	\$-
Non-cash transactions:			
Number of shares issued for stock-based compensation	125,573,900	31,159,748	176,351,385
Number of warrants issued for interest expense	-	-	24,000,000
Number of shares issued for settlement	6,510,000	2,280,375	8,790,375
Number of shares issued to acquire software	21,600	2,500,000	2,521,600
Number of shares issued as dividend	-	6,469,161	6,469,161
Number of stock options issued as compensation	1,400,000	19,750,000	21,150,000
Number of shares issued for debt conversion	9,350,000	-	9,350,000

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

instaCare Corp.
(formerly CareDecision Corporation)
(a Development Stage Company)
Notes to Restated Financial Statements

Note 1 - Significant accounting policies and procedures

Organization

The Company was organized July 6, 2000 (Date of Inception) under the laws of the State of Nevada, as Promedicius, Inc. On June 21, 2002, the Company acquired as a wholly-owned subsidiary ATR Search Corporation, and filed amended articles of incorporation changing its name to CareDecision Corporation.

The Company has a limited history of operations, and in accordance with SFAS #7, the Company is considered a development stage company.

Correction of an error

The Company has restated its previously issued consolidated financial statements for matters related to the following previously reported items: stockbased compensation, loss on debt settlement and impairment loss. The accompanying financial statements for March 31, 2005 have been restated to reflect the error corrections. The Company's accumulated (deficit) at March 31, 2005, was increased by \$116,931 as a result of prior period error corrections. The prior period errors had no effect on net income for the period ending March 31, 2005.

	2005		2004
Accumulated (deficit) at beginning of year,	\$ (10,223,372)	\$	(4,554,644)
As previously reported			
Prior period adjustment - Error in valuation of Certain stock based compensation	-0-		(116,931)
in 2002 and 2003			
Write-down due to impairment of fixed assets			(1,000,770)
Accumulated (deficit) at beginning of period,			(5,672,345)
As restated	(10,223,372)		
Net (loss)	(1,484,909)		(4,551,027)
Accumulated (deficit) at end of period	\$ (11,708,281)	\$	(10,223,372)

Acquisition agreement with Medicius, Inc. (MED)

On June 21, 2001, the Company entered into an agreement with MED whereby the Company acquired as a wholly-owned subsidiary all of the issued and outstanding common stock of MED in exchange for 32,968,863 voting shares of the Company's \$0.001 par value common stock, of which the MED shareholders received 22,500,000 shares

and CareDecision.net received 10,468,863 shares. An additional 1,500,000 shares of the Company's \$0.001 par value common stock was issued to Robert Cox, the former CEO and Chairman of ATR Search Corporation, the Company's discontinued operating entity. The acquisition was accounted for using the purchase method of accounting. The value of the acquired fixed assets on the merger date was \$1,704,703.

Cash and cash equivalents

The Company maintains a cash balance in a non-interest-bearing account that currently does not exceed federally insured limits. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. There are no cash equivalents as of December 31, 2004 and 2003.

Investments

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

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instaCare Corp.
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Notes to Restated Financial Statements

Inventory

Inventories are stated at the lower of cost or market. Cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. Market is determined based on net realizable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value.

Fixed assets

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

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

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

Consolidation policy

The accompanying Consolidated Financial Statements include the accounts of the Company and its majority-owned subsidiary corporations, after elimination of all material intercompany accounts, transactions, and profits. Investments in unconsolidated subsidiaries representing ownership of at least 20% but less than 50%, are accounted for under the equity method. Nonmarketable investments in which the Company has less than 20% ownership and in which it does not have the ability to exercise significant influence over the investee are initially recorded at cost and periodically reviewed for impairment. As of December 31, 2004 and 2003, the Company did not have nonmarketable investments.

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.

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

Advertising costs

The Company expenses all costs of advertising as incurred. There was \$2,500 and \$0 advertising costs included in general and administrative expenses as of December 31, 2004 and 2003, respectively.

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instaCare Corp.
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Notes to Restated Financial Statements

Use of estimates

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

Fair value of financial instruments

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2004 and 2003. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and accounts payable. Fair values were assumed to approximate carrying values for cash and payables because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Impairment of long-lived assets

The Company reviews its long-lived assets and intangibles periodically to determine potential impairment by comparing the carrying value of the long-lived assets with the estimated future cash flows expected to result from the use of the assets, including cash flows from disposition. Should the sum of the expected future cash flows be less than the carrying value, the Company would recognize an impairment loss. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets and intangibles. The Company recognized impairment losses in the amount of \$415,078 and \$0 as of December 31, 2004 and 2003, respectively.

Reporting on the costs of start-up activities

Statement of Position 98-5 (SOP 98-5), "Reporting on the Costs of Start-Up Activities," which provides guidance on the financial reporting of start-up costs and organizational costs, requires most costs of start-up activities and organizational costs to be expensed as incurred. SOP 98-5 is effective for fiscal years beginning after December 15, 1998. With the adoption of SOP 98-5, there has been little or no effect on the Company's financial statements.

Loss per share

Net loss per share is provided in accordance with Statement of Financial Accounting Standards No. 128 (SFAS #128) "Earnings Per Share". Basic loss per share is computed by dividing losses available to common stockholders by the weighted average number of common shares outstanding during the period. There were no securities considered to be dilutive in the computation of earnings (loss) per share.

Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income", establishes standards for the reporting and display of comprehensive income and its components in the financial statements. The Company had no items of other comprehensive income and therefore has not presented a statement of comprehensive income.

Segment reporting

The Company follows Statement of Financial Accounting Standards No. 130, "Disclosures About Segments of an Enterprise and Related Information." The Company operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

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instaCare Corp.
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Notes to Restated Financial Statements

Income taxes

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

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

Recent pronouncements

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4. SFAS No. 151 amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and spoilage. This statement requires that those items be recognized as current period charges regardless of whether they meet the criterion of "so abnormal" which was the criterion specified in ARB No. 43. In addition, this Statement requires that allocation of fixed production overheads to the cost of production be based on normal capacity of the production facilities. This pronouncement is effective for the Company beginning October 1, 2005. The Company does not believe adopting this new standard will have a significant impact to its financial statements.

In December 2004, the FASB issued SFAS No. 123 (revised 2004). Share-Based Payment, which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation. SFAS No. 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees and amends SFAS No. 95, Statement of Cash Flows. Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. However, SFAS No. 123(R) 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. The new standard will be effective for the Company in the first interim or annual reporting period beginning after December 15, 2005. The Company expects the adoption of this standard will have a material impact on its financial statements assuming employee stock options are granted in the future.

Stock-Based Compensation

The Company applies Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and Related Interpretations, in accounting for stock options issued to employees. Under APB No. 25, employee compensation cost is recognized when estimated fair value of the underlying stock on date of the grant exceeds exercise price of the stock option. For stock options and warrants issued to non-employees, the Company applies SFAS No. 123, Accounting for Stock-Based Compensation, which requires the recognition of compensation cost based upon the fair value of stock options at the grant date using the Black-Scholes option pricing model.

The following table represents the effect on net loss and loss per share if the Company had applied the fair value based method and recognition provisions of Statement of Financial Accounting Standards ("SFAS No. 123"), Accounting for Stock-Based Compensation, to stock-based employee compensation:

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instaCare Corp.
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Notes to Restated Financial Statements

	2004	2003
Net (loss), as reported	\$ (4,551,027)	\$ (2,168,808)

Deduct: Total stock-based non-employee compensation expense determined under fair value based methods for all awards, net of related tax effects	(29,960)	(221,450)
Pro forma net (loss)	\$ (4,580,987)	\$ (2,390,258)
Net (loss) per common share		
Basic (loss) per share, as reported	\$ (.022)	\$ (.02)
Basic per share, pro forma	\$ (.022)	\$ (.025)

As required, the pro forma disclosures above include options granted during each fiscal year. Consequently, the effects of applying SFAS No. 123 for providing pro forma disclosures may not be representative of the effects on reported net income for future years until all options outstanding are included in the pro forma disclosures.

Year end

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

Note 2 - Impairment loss on operating assets

The Company determined during the year ending December 31, 2004 that it should write down certain fixed assets acquired with the Medicius, Inc. merger as an impairment loss after comparing the carrying value of the assets with the estimated future cash flows expected to result from the use of the assets. Accordingly, the write down resulted in the realization of a \$415,078 impairment loss on operating assets recorded on the Statement of Operations for the year ended December 31, 2004.

Note 3 - Going concern

As shown in the accompanying financial statements, the Company has accumulated net losses from operations totaling \$10,223,372, and as of December 31, 2004 and 2003, has had very limited revenues from operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has generated limited revenue from its planned principal operations. In order to obtain the necessary capital, the Company has raised funds via private placement and debt offerings. If the securities and debt offerings do not provide sufficient capital, some of the shareholders of the Company have agreed to provide sufficient funds as a loan over the next twelve-month period. However, the Company is dependent upon its ability to secure equity and/or debt financing, and there are no assurances that the Company will be successful. Without sufficient financing it would be unlikely for the Company to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Note 4 - Inventory

Inventory consisted of the following at December 31:

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(a Development Stage Company)
Notes to Restated Financial Statements

	2004	2003
Work-in-progress	\$ 58,587	\$ -0-
Raw materials	142,316	-0-
LIFO inventories	\$200,903	\$ -0-

Note 5 - Fixed assets

Fixed assets consists of the following:

	December 31, 2004	December 31, 2003
Computer and office equipment	\$ 30,387	\$ 260,286
Software	232,365	583,899
	262,752	844,185
Less accumulated depreciation	(79,202)	(173,897)
Total	\$ 183,550	\$ 670,288

Depreciation expense totaled \$99,910 and \$132,587 for the years ended December 31, 2004 and 2003, respectively.

Note 6 - Notes payable and long-term debt

Related party Note

The Company owed two of its officers and directors \$112,628 as of December 31, 2004. The short-term note bears interest at 9% per annum and is due on demand.

M and E Equities, LLC Renegotiated Note

Based on terms negotiated on March 4, 2002, and after a further documentation process that was completed on April 23, 2003, Medicius, Inc. the Company's merger partner in its June 2002 merger, was loaned \$475,000 from M and E Equities, LLC (M&E). A condition of the loan stipulated that Medicius, Inc. complete its merger with the Company and become a fully reporting public company. As of December 31, 2003, after partial payment of interest and principal and a settlement of a legal dispute that arose over this note and other issued, the remaining value of the note and accrued interest was \$522,527. On March 2, 2004, the Company renegotiated its debt with M&E. the terms of the agreement are stipulated as follows:

1. \$320,000 is paid to M&E by Wells & Company, Inc., Lima Capital, Inc., JC Financial and Corporate Architects, Inc. to satisfy a remaining principal amount of \$400,000.
2. M&E agreed to transfer 10,000,000 of the Class A Warrants, formerly issued by Medicius, Inc. with an expiration date of January 5, 2005 to Empyreon.net for \$30,000 and 2,000,000 Class A Warrants to Mr. Moshe Mendlowitz for \$20,000. The Company incurred financing costs during the year ended December 31, 2004 totaling \$405,700, the deemed value of the Warrants on the transfer date based on the Black-Scholes

Valuation Model.

3. The outstanding note balance of \$200,526 was recapitalized into 207,526 shares of the Company's \$0.001 par value Class A Convertible Preferred Stock and registered in M&E's name. Each share of Class A 2002 Convertible Preferred Stock is convertible into 18 shares (3,717,468 total) of the Company's \$0.001 par value common stock at \$0.055556 per share. M&E agrees to hold the Preferred Shares for a minimum of one year, pursuant to Rule 144, with no conversions allowed during that period of time. After one year, M&E may convert and sell only 500,000 shares of the Company's \$0.001 par value common stock every 60 days as permissible by Rule 144.

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Notes to Restated Financial Statements

Pinnacle Investment Partners, LP Promissory Note

On March 24, 2004, the Company was loaned \$700,000 from Pinnacle Investment Partners, LP (Pinnacle). The Secured Convertible Promissory Note bears interest at a rate of 12% per annum, matures September 25, 2004, except if extended for an additional six months at the option of the Company, and was secured by 17,000,000 shares of the Company's \$0.001 par value 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 the Company's \$0.001 par value common stock at a conversion price of \$0.08 per share, unless such conversion would result in Pinnacle being deemed the "beneficial owner" of 4.99% or more of the then-outstanding Common Shares within the meaning of Rule 13d-3 of the Securities Exchange Act of 1934, as amended. In the event the Company fails 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.

Between September 25, 2004 and October 18, 2004, Pinnacle and the Company negotiated an extension to the Pinnacle Note with a separate set of renewal terms. On October 19, 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. The Company met those conditions by executing the definitive agreement to acquire CareGeneration, Inc. As a condition of renewal the Company was required to provide additional security of 2,000,000 shares of the Company's \$0.001 par value 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 the Company's \$0.001 par value common stock at a conversion price of \$0.045 per share. In addition, should the Company complete a merger or similar transaction prior to January 24, 2005, the Note will automatically be extended through March 24, 2005 with additional security due.

The Company recorded interest expense of \$86,456 and \$117,107 during the years ended December 31, 2004 and 2003, respectively.

Note 7 - Income taxes

For the year ended December 31, 2004, the Company incurred net operating losses and accordingly, no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At December 31, 2004, the Company had approximately \$10,223,372 of federal and state net operating losses. The net operating loss carryforwards, if not utilized will begin to expire in 2017.

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

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		As of December 31, 2004
Deferred tax assets:		
Net operating loss carryforwards	\$	10,223,372
Total deferred tax assets		10,223,372
Deferred tax liabilities:		
Depreciation		-
Net deferred tax assets before valuation allowance		10,223,372
Less: Valuation allowance		(10,223,372)
Net deferred tax assets	\$	-0-

Note 8 - Stockholder's equity

The Company is authorized to issue 5,000,000 shares of \$0.001 par value preferred stock and 1,250,000,000 shares of \$0.001 par value common stock.

Preferred stock

The Company issued 207,526 shares of its \$0.001 par value preferred shares for financing costs of \$354,800. Each preferred share is convertible into 18 shares of the Company's \$0.001 par value common stock at \$1.00 per share.

Common stock

The Company issued a total of 32,968,863 shares of its \$0.001 par value common stock pursuant to its merger with Medicius, Inc. whereby each shareholder received three Company shares for every one Medicius, Inc. share held. The Company acquired approximately \$1,506,022 in tangible and intangible assets as a result of the merger.

During the year ended December 31, 2002, the Company issued 1,725,000 shares of its \$0.001 par value common stock to CareDecision.net, Inc. pursuant to its election to convert 700,000 shares of Medicius, Inc. \$0.001 par value preferred stock into the Company's common stock.

During the year ended December 31, 2002, the Company issued 2,539,574 shares of its \$0.001 par value common stock for cash totaling \$200,000.

During the year ended December 31, 2002, the Company issued 1,267,963 shares of its \$0.001 par value common stock to an officer of the Company for cash totaling \$40,000.

During the year ended December 31, 2002, the Company issued 19,617,737 shares of its \$0.001 par value common stock to various individuals and entities for consulting services valued at \$1,405,732, the fair market value of the underlying shares on the dates of issuance.

During the year ended December 31, 2002, the Company cancelled 1,935,000 shares of its \$0.001 par value common stock to satisfy an obligation valued at \$98,685.

During the year ended December 31, 2003, the Company issued 31,159,748 shares of its \$0.001 par value common stock to various individuals and entities for consulting services valued at \$769,840, the fair market value of the underlying shares on the dates of issuance.

During the year ended December 31, 2003, the Company issued 5,100,000 shares of its \$0.001 par value common stock for cash totaling \$235,300.

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instaCare Corp.
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The Company issued 6,469,161 shares of its \$0.001 par value common stock as a dividend to its shareholders of record as of June 3, 2003, the grant date. The fair market value of the shares on the grant date was \$0.061 per share resulting in compensation to the shareholders totaling \$394,619.

During the year ended December 31, 2003, the Company issued 2,500,000 shares of its \$0.001 par value common stock to acquire operating software valued at \$181,250.

During the year ended December 31, 2003, the Company issued 1,741,875 shares of its \$0.001 par value common stock as a dispute settlement valued at \$77,094.

The Company issued 7,350,000 shares of its \$0.001 par value common stock to various individuals to convert \$522,000 in debt to equity during the year ended December 31, 2004.

The Company issued 6,510,000 shares of its \$0.001 par value common stock in order to settle the disputes with investors and agents which arose over the M&E Note, and which allowed the M&E Note to be settled and converted. The value of the shares was \$377,136 and is recorded as a loss on debt settlement during the year ended December 31, 2004.

On July 31, 2004, a note holder elected to convert its \$50,000 face value loan into shares of the Company's \$0.001 par value common stock in full satisfaction of the loan plus accrued interest.

During the year ended December 31, 2004, the Company issued 108,805,500 shares of its \$0.001 par value common stock to various individuals and entities for consulting services for the Company's hotel network business, consulting fees associated with the Company's proposed merger with Kelly companies, finders fees to two individuals who introduced the Company to its proposed satellite e-broadcast partner, finders' fees to two individuals who introduced the Company to the Kelly Companies, agent's fees associated with the Company's proposed acquisition of MDU Services, Inc., agent's fees for the introduction and fees associated with the company's recent agreement with an e-business partner for the hotel product sector, contract fees associated to develop and complete certain software for its hotel sector product and technical expenses incurred associated with this agreement, documentation and initiation fees owing to the Pinnacle Note investment, collectively valued at \$1,537,532 and professional fees valued at

\$493,737. Also as of December 31, 2004, the Company has placed in escrow 17,000,000 shares of its \$0.001 par value common stock as security for the Pinnacle Note investment.

During the year ended December 31, 2004, the Company issued 6,000,000 shares of its \$0.001 par value common stock in connection with loan renewal fees totaling \$76,000.

Note 9 - Related party transactions

On July 1, 2002, Keith Berman, a beneficial owner and officer of the Company, contributed equipment valued at \$27,857. The equipment is recorded as part of the total fixed assets received from the merger with Medicus, Inc.

Medicus, Inc. acquired operating software from CareDecision.net, Inc, a privately owned corporation that completed several transactions with the Company. Pursuant to the agreement, Medicus, Inc. paid CareDecision.net, Inc. the sum of \$187,500 with 700,000 shares of its \$0.001 par value preferred stock. CareDecision.net, Inc. then elected to convert its preferred shares into 1,725,000 shares of the Company's \$0.001 par value common stock. As a result of the merger with Medicus, Inc., two of the beneficial owners of CareDecision.net are now beneficial owners of the Company.

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The Company received \$40,000 from Keith Berman, a beneficial owner of the Company, due on December 31, 2002 and accruing interest at 8% per annum. On December 31, 2002, Mr. Berman elected to convert the note plus interest into 1,267,963 shares of the Company's \$0.001 par value common stock. The fair market value of the shares on December 31, 2002 was \$0.048 per share resulting in deemed interest expense totaling \$20,862.

During the year ended December 31, 2003, the Company acquired fully-developed operating software from CareDecision.net, Inc, a private corporation with several control persons serving in similar positions at the Company. Pursuant to the agreement, the Company paid CareDecision.net, Inc. the sum of \$181,250 with 2,500,000 shares of the Company's \$0.001 par value common stock.

During the year ended December 31, 2003, the Company received \$50,000 from Dr. Thomas Chillemi, a Company shareholder, the note is convertible into 1,000,000 shares of the Company's \$0.001 par value common stock and carried with it 1,000,000 warrants exercisable on a one-for-one basis at a strike price at \$0.05 per share (Chillemi 2003 Transaction #1). On April 22, 2003 Dr. Chillemi exercised the convertible portion of his note and converted the \$50,000 debt into 1,000,000 shares of the Company's \$0.001 par value common stock. According to the terms of Chillemi 2003 Transaction #2 (see Note 10 below), Dr. Chillemi agreed to retire the 1,000,000 warrants.

Note 10 - Warrants and stock options

Warrants

During the year ended December 31, 2002, the Company issued 5,848,977 warrants in conjunction with the merger of Medicus, Inc. The warrants are convertible at a strike price of \$.04, each warrant is exercisable into one share of the Company's \$0.001 par value common stock. The fair value of the warrants has been estimated on the date of grant using the Black-Scholes option pricing model. The weighted average fair value of these warrants was \$0.0261. The following assumptions were used in computing the fair value of these warrants: weighted average risk-free interest rate of 5.05%, zero dividend yield, volatility of the Company's common stock of 51% and an expected life of the

warrants of two years. The warrants expire on June 27, 2005. Approximately \$152,658 was added to the value of the assets acquired from the Medicius, Inc. merger as a result of the warrants. The added value was then written down and recorded as "impairment loss" for the year ended December 31, 2002.

During the year ended December 31, 2002, the Company's merger partner Medicius, Inc. issued a merger formula adjusted 12,000,000 Class A warrants to M and E Equities, Inc. The warrants are convertible at a strike price of \$.0667, each Class A warrant exercisable into one share of the Company's \$0.001 par value common stock. The warrants expired on January 4, 2005. Upon exercise of each of the Class A warrants, if any, the Company's merger partner Medicius, Inc. is obligated to issue one Class C warrant for each Class A warrant exercised, or a total issuance of up to 24,000,000 merger formula adjusted Class C warrants. The Class C warrants are convertible at a strike price of \$.20, each Class C warrant exercisable into one share of the Company's \$0.001 par value common stock. The warrants expired on January 4, 2005. As of December 31, 2003 the Company has reserved 36,000,000 of its common stock shares should the warrant holders decide to exercise any of the 12 million Class A warrants before they expire, and any Class C warrants, should the Class A warrants have been exercised before the Class C warrants expire.

No warrants have been exercised through December 31, 2004.

Stock options

On January 1, 2003, the Company adopted its "2003 Stock Option Plan" (the "Plan") and granted incentive and nonqualified stock options with rights to purchase 25,000,000 shares of the Company's \$0.001 par value common stock. The Company issued 14,600,000 shares of stock pursuant to the plan during the year ended December 31, 2003.

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On January 21, 2003, the Company granted stock options to Dr. Thomas Chillemi, a Company shareholder, to purchase 2,000,000 shares of \$0.001 par value common stock at a strike price of \$0.04 per share pursuant to the Company's 2003 Stock Option Plan. The shares are registered and free-trading via Form S-8. The value of the options on the grant date using the Black-Scholes Model is \$22,600, which has been recorded as compensation expense on the Statement of Operations as of December 31, 2003.

On January 21, 2003, the Company granted stock options to Dr. Joseph A. Wolf, a Company shareholder, to purchase 3,500,000 shares of \$0.001 par value common stock at a strike price of \$0.04 per share pursuant to the Company's 2003 Stock Option Plan. The shares are registered and free-trading via Form S-8. The value of the options on the grant date using the Black-Scholes Model is \$39,550, which has been recorded as compensation expense on the Statement of Operations as of December 31, 2003.

On July 18, 2003, the Company entered into a consulting agreement with Dr. Chillemi, a Company shareholder, to perform corporate development services for the Company. As consideration, the Company granted stock options to purchase 3,000,000 shares of \$0.001 par value common stock at a strike price of \$0.05 per share pursuant to the Company's 2003 Stock Option Plan (Chillemi 2003 Transaction #2). The shares are registered and free-trading via Form S-8. The value of the options on the grant date using the Black-Scholes Model is \$60,900, which has been recorded as compensation expense on the Statement of Operations as of December 31, 2003. On October 1, 2003, Dr. Chillemi exercised 1,000,000 of his stock options as consideration for services performed valued at \$50,000. On November 1, 2003, Dr. Chillemi exercised an additional 1,000,000 of his stock options as consideration for services performed valued at \$50,000.

On July 18, 2003, the Company entered into a consulting agreement with Dr. Wolf, a Company shareholder, to perform medical information technology services for the Company. As consideration, the Company granted stock options to purchase 950,000 shares of \$0.001 par value common stock at a strike price of \$0.05 per share pursuant to the Company's 2003 Stock Option Plan. The shares are registered and free-trading via Form S-8. The value of the options on the grant date using the Black-Scholes Model is \$19,285, which has been recorded as compensation expense on the Statement of Operations as of December 31, 2003. On October 31, 2003, Dr. Wolf exercised all 950,000 of his stock options by rendering \$47,500.00 in cash.

On July 18, 2003, the Company entered into various consulting and service agreements with unrelated individuals to perform corporate strategic and developmental services for the Company. As consideration, the Company granted stock options to purchase 3,000,000 shares of \$0.001 par value common stock at a strike price of \$0.05 per share pursuant to the Company's 2003 Stock Option Plan. The shares are registered and free-trading via Form S-8. The value of the options on the grant date using the Black-Scholes Model is \$60,900, which has been recorded as compensation expense on the Statement of Operations as of December 31, 2003.

On November 24, 2003, the Company granted stock options to Dr. Thomas Chillemi, a Company shareholder, to purchase 2,500,000 shares of \$0.001 par value common stock at a strike price of \$0.04 per share pursuant to the Company's 2003 Stock Option Plan. The shares are registered and free-trading via Form S-8. The value of the options on the grant date using the Black-Scholes Model is \$31,500, which has been recorded as compensation expense on the Statement of Operations as of December 31, 2003.

On November 24, 2003, the Company granted stock options to Dr. Joseph A. Wolf, a Company shareholder, to purchase 1,500,000 shares of \$0.001 par value common stock at a strike price of \$0.04 per share pursuant to the Company's 2003 Stock Option Plan. The shares are registered and free-trading via Form S-8. The value of the options on the grant date using the Black-Scholes Model is \$18,900, which has been recorded as compensation expense on the Statement of Operations as of December 31, 2003.

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On November 24, 2003, the Company entered into various consulting and service agreements with unrelated individuals to perform corporate strategic and developmental services for the Company. As consideration, the Company granted stock options to purchase 3,300,000 shares of \$0.001 par value common stock at a strike price of \$0.04 per share pursuant to the Company's 2003 Stock Option Plan. The shares are registered and free-trading via Form S-8. The value of the options on the grant date using the Black-Scholes Model is \$41,580, which has been recorded as compensation expense on the Statement of Operations as of December 31, 2003.

As of December 31, 2003, outstanding stock options to acquire shares of common stock on a one-for-one basis totaled 5,150,000 at a weighted average exercise price of \$.043. As of December 31, 2003, stock options in the Plan remaining to be issued totaled 5,250,000. The Plan stock options are 100% vested from the grant date.

The following is a summary of activity of outstanding stock options under the 2003 Stock Option Plan:

Number	Weighted Average Exercise
--------	---------------------------------

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	Of Shares		Price
Balance, December 31, 2003	5,150,000		-
Options granted	-0-	\$	0.043
Options exercised	(-0-)		0.043
Balance, December 31, 2004	5,150,000		0.043
Exercisable, December 31, 2004	5,150,000	\$	0.043

The following is a summary of information about the 2003 Stock Option Plan options outstanding at December 31, 2004

Range of Exercise Prices	Shares Underlying Options Outstanding			Shares Underlying Options Exercisable	
	Shares Underlying Options Outstanding	Average Remaining Contractual Life	Weighted Average Exercise Price	Shares Underlying Options Exercisable	Weighted Average Exercise Price
\$ 0.040 - 0.050	5,150,000	0 years	\$ 0.043	5,150,000	\$ 0.043

Pro forma information regarding net income and net income per share, as disclosed in Note 1, has been determined as if the Company had accounted for its non-employee stock-based compensation plans and other stock options under the fair value method of SFAS No. 123. The fair value of each option and warrant grant are estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants under the fixed option plan:

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Notes to Restated Financial Statements

003

.05 %

13,411	\$ 13,411	\$ 13,411	\$ 13,411	\$ 13,411
\$ 1,638,145	\$ 2,031,299	\$	\$	\$ 2,

\$ 9,325,689

\$ 5,921,593

\$ 5,374,544

\$ 13,411

\$ 8,

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- (1) The amount shown under the voluntary termination for good reason and the termination without cause columns represent the sum of the one time payment that would be made upon Mr. Lipke's termination for those reasons for \$3,795,150 and the current year value of the annual health insurance premiums that are provided for by his employment agreement. The amount shown under the death column represents the one time payment that would be made in the event of his death. The amount shown under the disability column represents the current value of the annual payment and annual health insurance benefits provided for by Mr. Lipke's employment agreement. The disability payment of \$251,078, adjusted for increases as defined, is payable annually for the remainder of Mr. Lipke's life, and is reduced by amounts he would receive from the federal and state governments and insurance, pension or profit sharing plans maintained by the Company. Annual payment of health insurance premiums, currently valued at \$8,763, would continue for Mr. Lipke if he voluntarily terminates for good reason, was terminated without cause or becomes disabled.
- (2) The amount shown in this row is payable in ten equal annual installments of \$100,000 upon Mr. Lipke's retirement at or after age 60 or his death.
- (3) The amounts shown in this row represent the market value of restricted shares that would vest upon occurrence of the events in each column as of December 31, 2007.
- (4) The amounts shown in this row represent the market value of restricted share units that would vest upon the occurrence of the events in each column as of December 31, 2007. The actual vesting occurs 6 months after the event occurs, except for death, in which case vesting is immediate.
- (5) The amount represents the balance of Mr. Lipke's 401(k) Restoration Plan account as of December 31, 2007, which may be paid six months after the event in either a lump sum as the balance is below \$25,000, or in annual installments over a period of 5 to 10 years, except in the event of Mr. Lipke's death, in which case the amount would be paid immediately.
- (6) The amounts in this row represent the tax gross up payable with respect to outstanding restricted stock awards and retirement based restricted stock units.

Henning Kornbrekke, President and Chief Operating Officer

Source of Payment	Voluntary Termination	Voluntary Termination for Good Reason	Retirement	Termination			
				Without Cause	Termination for Cause	Death	Disability
Employment Agreement (1)	\$	\$ 2,852,168	\$	\$ 2,852,168	\$	\$ 687,500	\$ 197,078
Management stock purchase plan	\$ 877,587	\$ 877,587	\$ 877,587	\$ 877,587	\$ 877,587	\$ 877,587	\$ 877,587
Long Term Incentive Plan (4)	\$ 693,900	\$ 1,609,493	\$ 693,900	\$ 1,609,493	\$ 693,900	\$ 1,609,493	\$ 1,609,493
401(k) Restoration Plan (5)	\$ 20,827	\$ 20,827	\$ 20,827	\$ 20,827	\$ 20,827	\$ 20,827	\$ 20,827
Tax Gross Up (6)	\$ 491,443	\$ 491,443	\$ 491,443	\$ 491,443	\$ 491,443	\$ 491,443	\$ 491,443
Total	\$ 2,083,757	\$ 5,851,518	\$ 2,083,757	\$ 5,851,518	\$ 2,083,757	\$ 3,686,850	\$ 3,196,428

- (1) The amount shown under the voluntary termination for good reason and the termination without cause columns represent the sum of the one time payment that would be made upon Mr. Kornbrekke's termination for those reasons for \$2,843,405 and the current year value of the annual health insurance premiums that are provided for by his employment agreement. The amount shown under the death column represents the one time payment that would be made in the event of his death. The amount shown under the disability column represents the current value of the annual payment and annual health insurance benefits provided for by Mr. Kornbrekke's employment agreement. The disability payment of \$188,309, adjusted for increases as defined, is payable annually for the remainder of Mr. Kornbrekke's life, and is reduced by amounts he would receive from the federal and state governments and insurance, pension or profit sharing plans maintained by the Company. Annual payment of health insurance premiums, currently valued at \$8,763, would continue for Mr. Kornbrekke if he voluntarily terminates for good reason, was terminated without cause or becomes disabled.

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- (2) The amounts shown in this row represent the market value of restricted shares that would vest upon occurrence of the events in each column as of December 31, 2007.
- (3) The amounts shown in this row represent the market value of restricted share units that would vest and convert to a cash balance upon the occurrence of the events in each column. The amount is payable in 5 to 10 annual installments, with interest compounding at the average of quarterly ten year treasury rates plus 2%. Mr. Kornbrekke is over 60 years old, and therefore will vest in the Company's matching contributions upon the occurrence of the events shown in each column.
- (4) The amounts shown in this row represent the market value of restricted share units that would vest upon the occurrence of the events in each column as of December 31, 2007. The actual vesting occurs 6 months after the event occurs, except for death, in which case vesting is immediate.
- (5) The amount represents the balance of Mr. Kornbrekke's 401(k) Restoration Plan account as of December 31, 2007, which may be paid six months after the event in either a lump sum as the balance is below \$25,000, or in annual installments over a period of 5 to 10 years, except in the event of Mr. Kornbrekke's death, in which case the amount would be paid immediately.
- (6) The amounts in this row represent the tax gross up payable with respect to outstanding restricted stock awards and retirement based restricted stock units.

David W. Kay, Executive Vice President,
Chief Financial Officer and Treasurer
Principal Financial Officer

Source of Payment	Voluntary		Termination	Termination	Death	Disability
	Termination	Retirement	Without Cause	for Cause		
Supplemental Salary Continuation Plan (1)	\$	\$	\$	\$	\$	\$ 23,462
Management Stock Purchase Plan (2)	\$ 283,303	\$ 476,606	\$ 283,303	\$ 283,303	\$ 283,303	\$ 283,303
Long Term Incentive Plan (3)	\$	\$	\$ 335,308	\$	\$ 335,308-	\$ 335,308
401(k) Restoration Plan (4)	\$ 8,961	\$ 8,961	\$ 8,961	\$ 8,961	\$ 8,961	\$ 8,961
Total	\$ 292,264	\$ 485,567	\$ 627,572	\$ 292,264	\$ 627,572	\$ 651,034

- (1) The amount shown under the disability column represents the payment Mr. Kay would receive under the Corporate Supplemental Salary Continuation Plan. This plan, a supplement to our short term disability coverage, covers all full time employees in our corporate offices and provides a supplemental salary continuation based upon years of service. Mr. Kay qualifies for 4 weeks of salary continuation under this plan.
- (2) The amounts shown in this row represent the market value of restricted share units that would vest and convert to a cash balance upon the occurrence of the events in each column. The amount is payable in 5 to 10 annual installments, with interest compounding at the average of quarterly ten year treasury rates plus 2%. The

participant must remain employed until attainment of age 60 to vest in the Company's matching contributions.

- (3) The amounts shown in this row represent the market value of restricted share units that would vest upon the occurrence of the events in each column as of December 31, 2007. The actual vesting occurs 6 months after the event occurs, except for death, in which case vesting is immediate.
- (4) The amount represents the balance of Mr. Kay's 401(k) Restoration Plan account as of December 31, 2007, which may be paid six months after the event in either a lump sum as the balance is below \$25,000, or in annual installments over a period of 5 to 10 years, except in the event of Mr. Kay's death, in which case the amount would be paid immediately.

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Timothy J. Heasley, Senior Vice President, Secretary and Corporate Controller

Source of Payment	Voluntary		Termination Without Cause	Termination for Cause	Death	Disability
	Termination	Retirement				
Supplemental Salary Continuation Plan (1)	\$	\$	\$	\$	\$	\$ 15,385
Long Term Incentive Plan (2)	\$	\$ 62,112	\$ 62,112	\$	\$ 62,112	\$ 62,112
Total	\$	\$ 62,112	\$ 62,112	\$	\$ 62,112	\$ 77,497

- (1) The amount shown under the disability column represents the payment Mr. Heasley would receive under the Corporate Supplemental Salary Continuation Plan. This plan, a supplement to our short term disability coverage, covers all full time employees in our corporate offices and provides a supplemental salary continuation based upon years of service. Mr. Heasley qualifies for 4 weeks of salary continuation under this plan.
- (2) The amounts shown in this row represent the market value of restricted share units that would vest upon the occurrence of the events in each column as of December 31, 2007. The actual vesting occurs 6 months after the event occurs, except for death, in which case vesting is immediate.

Paul M. Murray, Senior Vice President
Human Resources and Organizational Development

Source of Payment	Voluntary		Termination Without Cause	Termination for Cause	Death	Disability
	Termination	Retirement				
Supplemental Salary Continuation Plan (1)	\$	\$	\$	\$	\$	\$ 52,308
Long Term Incentive Plan (2)	\$	\$ 77,917	\$ 77,917	\$	\$ 77,917	\$ 77,917
401(k) Restoration Plan (3)	\$ 25,359	\$ 25,359	\$ 25,359	\$ 25,359	\$ 25,359	\$ 25,359
Total	\$ 25,359	\$ 103,276	\$ 103,276	\$ 25,359	\$ 103,276	\$ 155,584

- (1) The amount shown under the disability column represents the payment Mr. Murray would receive under the Corporate Supplemental Salary Continuation Plan. This plan, a supplement to our short term disability coverage, covers all full time employees in our corporate offices and provides a supplemental salary continuation based upon years of service. Mr. Murray qualifies for 16 weeks of salary continuation under this plan.
- (2) The amounts shown in this row represent the market value of restricted share units that would vest upon the occurrence of the events in each column as of December 31, 2007. The actual vesting occurs 6 months after the event occurs, except for death, in which case vesting is immediate.
- (3) The amount represents the balance of Mr. Murray's 401(k) Restoration Plan account as of December 31, 2007, which may be paid six months after the event in either a lump sum as the balance is below \$25,000, or in annual

installments over a period of 5 to 10 years, except in the event of Mr. Murray's death, in which case the amount would be paid immediately.

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Payments Upon Change in Control

The following table sets forth the amount of compensation which would be payable to the executive officers of the Company with whom the Company has entered into Change in Control Agreements described above and the other executive officers. For purposes of the payments to be made upon a change in control, the table reflects the amounts which would be paid to the executive officers if the change in control occurred on December 31, 2007, on which date, the closing price per share of the Company's stock was \$15.42.

Brian J. Lipke, Chairman of the Board and Chief Executive Officer
Principal Executive Officer

Lump Sum Cash Payment	Value of Outstanding Restricted Stock	Value of Outstanding Options	Value of Retirement RSUs	Value of LTIP RSUs(1)	401(k) Restoration Plan Payment	Tax Gross Up Payment (2)	Total
\$5,278,210	\$ 555,120	\$ 107,000	\$ 2,313,000	\$ 3,573,220	\$ 13,411	\$ 6,256,810	\$ 18,096,771

(1) Represents the value of LTIP RSUs currently issued of \$1,557,220 and the value of LTIP RSUs that would be issued upon a change in control of \$2,016,000.

(2) Represents a tax gross up payment of \$1,802,658 related to Mr. Lipke's Retirement RSUs, and a payment of \$4,454,152 related to the gross up of the excise tax due on the change in control payments.

Henning Kornbrekke, President and Chief Operating Officer

Lump Sum Cash Payment	Value of Retirement RSUs	Value of MSPP RSUs	Value of LTIP RSUs (1)	401(k) Restoration Plan Payment	Tax Gross Up Payment (2)	Total
\$ 3,412,086	\$ 693,900	\$ 877,587	\$ 2,378,593	\$ 20,827	\$ 2,195,386	\$ 9,578,379

(1) Represents the value of LTIP RSUs currently issued of \$915,593 and the value of LTIP RSUs that would be issued upon a change in control of \$1,463,000.

(2) Represents a tax gross up payment of \$540,798 related to Mr. Kornbrekke's Retirement RSUs, and a payment of \$1,654,588 related to the gross up of the excise tax due on the change in control payments.

David W. Kay, Executive Vice President,
Chief Financial Officer and Treasurer
Principal Financial Officer

Lump Sum Cash	Value of MSPP	Value of LTIP	401(k) Restoration	Tax
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Payment	RSUs	RSUs (1)	Plan Payment	Gross Up Payment (2)	Total
\$ 616,588	\$ 376,896	\$ 792,800	\$ 8,961	\$	\$ 1,795,245

(1) Represents the value of LTIP RSUs currently issued of \$335,300 and the value of LTIP RSUs that would be issued upon a change in control of \$457,500.

(2) Mr. Kay would not have been subject to excise taxes on his change in control payment, so no tax gross up payment would have been made at December 31, 2007.

Timothy J. Heasley, Senior Vice President, Secretary and Corporate Controller

Value of LTIP RSUs (1)	Total
\$ 202,420	\$ 202,420

(1) Represents the value of LTIP RSUs currently issued of \$62,420 and the value of LTIP RSUs that would be issued upon a change in control of \$140,000.

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Paul M. Murray, Senior Vice President
Human Resources and Organizational Development

Value of Outstanding Options \$	Value of LTIP RSUs (1) \$	401(k) Restoration Plan Payment \$	Total \$
	196,917	25,359	222,276

(1) Represents the value of LTIP RSUs currently issued of \$77,917 and the value of LTIP RSUs that would be issued upon a change in control of \$119,000.

AUDIT COMMITTEE REPORT

The Audit Committee currently consists of three directors who are independent as defined in the listing standards of the National Association of Securities Dealers, Inc. applicable to members of audit committees. A brief description of the responsibilities of the Audit Committee is set forth above under the caption The Board of Directors and its Committees.

The Audit Committee has reviewed and discussed the Company's audited financial statements for the year ended December 31, 2007 with management of the Company and Ernst & Young LLP, the Company's independent registered public accounting firm. During 2007, management evaluated the Company's internal control over financial reporting in response to the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Throughout the year, management kept the Committee apprised of the progress of its evaluation of internal controls and the Committee provided oversight of the evaluation process. At the end of the year, management issued a report on the effectiveness of the Company's internal control over financial reporting. The Committee reviewed this report and discussed with management and Ernst & Young LLP the adequacy of the Company's internal control over financial reporting and disclosure controls. The Committee also discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61, as amended *Communication with Audit Committees*, which relates to the conduct of the audit, including the auditor's judgment about the quality of the accounting principles applied in the Company's 2007 audited financial statements. The Committee also has reviewed the written disclosures and the letter from Ernst & Young LLP required by Independence Standards Board No. 1 *Independence Discussions with Audit Committees*, and has discussed with Ernst & Young LLP its independence.

Based on the review and the discussions referred to above, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE OF THE**BOARD OF DIRECTORS OF
GIBRALTAR INDUSTRIES, INC.**

David N. Campbell
Robert E. Sadler, Jr.
William P. Montague

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NOMINATING AND CORPORATE GOVERNANCE COMMITTEE REPORT

The purpose of the Committee is to identify and nominate individuals qualified to become Board and committee members, to establish and implement policies and procedures relating to the nominations of qualified candidates to develop and recommend to the Board a set of corporate governance guidelines for the Company, and to oversee, review and make periodic recommendations to the Board concerning the Company's corporate governance guidelines and policies. The Nominating and Corporate Governance Committee consists of Messrs. Montague, Campbell and Colombo. Each of Messrs. Montague, Campbell and Colombo is independent in accordance with the applicable listing standards of the National Association of Securities Dealers, Inc. applicable to nominating committees.

The Nominating and Corporate Governance Committee held one meeting in 2007. The current nominees for director were recommended for election to the Board at a meeting of the Nominating and Corporate Governance Committee held on March 25, 2008. Mr. Montague did not participate in his recommendation for election to the Board. No communications from stockholders regarding nominations were received by the Committee. The Committee recommended that the existing Class I Directors be nominated for a three year term as Class I Directors.

In evaluating potential nominees, the Nominating Committee considers a nominee's experience as a senior executive at a publicly traded corporation, or as a management consultant, investment banker, partner at a law firm or registered public accounting firm, professor at an accredited law or business school, experience in the management or leadership of a substantial private business enterprise, educational, religious or not-for-profit organization, or such other professional experience as the Committee determines shall qualify an individual for Board service; whether such person is independent within the meaning of such term in accordance with the applicable listing standards of the National Association of Securities Dealers, Inc. and the rules promulgated by the Securities and Exchange Commission; financial expertise of a potential nominee; and particular or unique needs of the Company at the time a nominee is being considered.

**NOMINATING AND CORPORATE GOVERNANCE
COMMITTEE OF THE BOARD OF DIRECTORS OF
GIBRALTAR INDUSTRIES, INC.**

William P. Montague
David N. Campbell
William J. Colombo

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's Directors and executive officers, and any persons who own more than 10% of a registered class of the Company's equity securities, to file reports of initial ownership of Common Stock and subsequent changes in that ownership with the Securities and Exchange Commission and to furnish the Company with copies of all forms they file pursuant to Section 16(a).

To the Company's knowledge, based solely upon a review of the copies of such reports furnished to the Company and written representations that no other reports were required, the Company believes that during the year ended December 31, 2007, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners were complied with, except that Brian J. Lipke, the Company's Chairman of the Board and Chief Executive Officer and Arthur A. Russ, Jr., a director of the Company, were each untimely, on one occasion, in the filing of a report on Form 4 with respect to one transaction.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT****Certain Beneficial Owners**

The following table sets forth information as of March 20, 2008 (except as otherwise noted) with respect to all stockholders known by the Company to be the beneficial owners of more than 5% and certain other holders of its outstanding Common Stock:

Name and Address	Number of Shares and Nature of Beneficial Ownership (1)	Percent of Class
Franklin Resources Inc. (2) One Franklin Parkway San Mateo, California 94403	3,810,499	12.74
NWQ Investment Management Company LLC (3) 2049 Century Park East, 16th Floor Los Angeles, CA 90067	3,234,628	10.81
Columbia Wanger Asset Management LP (4) 227 West Monroe Street, Suite 3000 Chicago, IL 60606	3,220,000	10.77
T. Rowe Price Associates, Inc. (5) 100 E. Pratt Street Baltimore, MD 21202	2,988,425	9.99
Dimensional Fund Advisors LP (6) 1299 Ocean Avenue Santa Monica, CA 90401	2,429,778	8.12
Eric R. Lipke (7) 75 Elmview Avenue Hamburg, New York 14075	1,833,226	6.13

- (1) Unless otherwise indicated in the footnotes each of the stockholders named in this table has the sole voting and investment power with respect to the shares shown as beneficially owned by such stockholder, except to the extent that authority is shared by spouses under applicable law.
- (2) Based on information set forth in a statement on Schedule 13G filed with the SEC reflecting information as of December 31, 2007 available on NASDAQ.com, filed on January 31, 2008 by Franklin Resources, Inc. on behalf of itself, Charles B. Johnson, Rupert H. Johnson, Jr. and Franklin Advisor Services, LLC.
- (3) Based on information set forth in a statement on Schedule 13G filed with the SEC reflecting information as of December 31, 2007 available on NASDAQ.com, filed on February 14, 2008 by NWQ Investment Management Company, LLC.
- (4) Based on information set forth in a statement on Schedule 13G filed with the SEC reflecting information as of December 31, 2007 available on NASDAQ.com, filed on January 28 2008 by Columbia Wanger Asset

Management, L.P. on behalf of itself and its affiliate Columbia Acorn Trust.

- (5) Based on information set forth in a statement on Schedule 13G filed with the SEC reflecting information as of December 31, 2007 and available on NASDAQ.com, filed on February 13, 2008 by T. Rowe Price Associates, Inc.
- (6) Based on information set forth in a statement on Schedule 13G filed with the SEC reflecting information as of December 31, 2007 and available on NASDAQ.com, filed on February 6, 2008 by Dimensional Fund Advisors LP.
- (7) Includes (i) 151,792 shares of common stock registered in the name of the reporting person, (ii) 809,789 shares of common stock held by a trust for the benefit of Eric R. Lipke, (iii) 18,750 shares of common stock held by trusts for the benefit of the children of Eric R. Lipke, (iv) 5,040 shares of common stock held in custodial

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accounts for the benefit of the children of Eric R. Lipke, (v) 2,400 shares of common stock held by the minor children of Eric R. Lipke and (vi) 180,900 shares of common stock, representing shares held by Rush Creek Investment Co., L.P. (Rush Creek). Rush Creek s general partner is Rush Creek Management Company, LLC, which is owned pro rata by trusts established for the benefit of each of Brian J. Lipke, Neil E. Lipke, Curtis W. Lipke, Eric R. Lipke and Meredith A. Lipke. Eric R. Lipke serves as sole manager of Rush Creek Management Company, LLC. Excludes (i) 896,040 shares of common stock held by a trust for the benefit of Brian J. Lipke, as to which Eric R. Lipke serves as one of three trustees and as to which Eric R. Lipke disclaims beneficial ownership, (ii) 91,320 shares of common stock held by a trust for the benefit of Brian J. Lipke and 45,000 shares of common stock held by a trust for the benefit of Meredith A. Lipke, as to each of which Eric R. Lipke serves as one of five trustees and as to which he disclaims beneficial ownership (iii) 19,416 shares of common stock held by trusts for the benefit of the children of Brian J. Lipke, as to which Eric R. Lipke serves as one of three trustees and as to which he disclaims beneficial ownership (iv) 387,471 shares of common stock held in a trust for the benefit of Curtis W. Lipke as to which Eric R. Lipke serves as one of three trustees and disclaims beneficial ownership and (v) 816,790 shares of common stock held in a trust for the benefit of Neil E. Lipke as to which Eric R. Lipke serves as one of three trustees and disclaims beneficial ownership.

Management

The following table sets forth information as of March 20, 2008 (except as otherwise noted) with respect to each Director, Director nominee, each executive officer named in the Summary Compensation table above and all executive officers and Directors as a group:

Name and Address	Number of Shares and Nature of Beneficial Ownership (1)	Percent of Class
Brian J. Lipke (2)(3)	1,223,259	4.09
Gerald S. Lippes (4) 665 Main Street, Suite 300 Buffalo, NY 14203-1425	42,557	*
William P. Montague (5) 501 John James Audubon Parkway PO Box 810 Amherst, NY 14226-0810	25,682	*
Arthur A. Russ, Jr. (6) 3400 HSBC Center Buffalo, NY 14203	10,375	*
David N. Campbell (7) 389 River Road Carlisle, MA 01741	11,125	*
William J. Colombo (8) 300 Industry Drive RIDC Park West Pittsburg, PA 15275	12,000	*
Robert E. Sadler (9) One M & T Plaza, 19th Floor Buffalo, NY 14203	17,000	*
Henning Kornbrekke (2)(10)	32,249	*

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David W. Kay (2)(11)	5,399	*
Paul M. Murray (2)(12)	2,833	*
Timothy Heasley (2)(13)	1,297	*
All Directors and Executive Officers as a Group (14)	1,383,776	4.63

* Less than 1%.

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- (1) Unless otherwise indicated in the footnotes each of the stockholders named in this table has the sole voting and investment power with respect to the shares shown as beneficially owned by such stockholder, except to the extent that authority is shared by spouses under applicable law.
- (2) The address of each executive officer is 3556 Lake Shore Road, P.O. Box 2028, Buffalo, New York 14219-0028.
- (3) Includes (i) 100,245 shares of common stock registered in the name of the reporting person, (ii) 987,360 shares of common stock held by two trusts for the benefit of Brian J. Lipke, (iii) 19,416 shares of common stock held by trusts for the benefit of the daughters of Brian J. Lipke, (iv) 5,220 shares of common stock held in a custodial account for the benefit of a daughter of Brian J. Lipke, (v) 93,750 shares of common stock issuable under currently exercisable options pursuant to our Original Incentive Stock Option Plan, (vi) 5,236 shares of common stock allocated to Brian J. Lipke's self-directed account under our 401(k) Retirement Savings Plan, (vii) 9,932 shares of common stock that will be issued within sixty (60) days due to the vesting of restricted stock units, and (viii) 2,100 shares of common stock held by the minor children of Brian J. Lipke. Excludes (i) 28,267 shares of common stock held by the Trust U/W of Kenneth E. Lipke f/b/o Patricia K. Lipke, as to which Brian J. Lipke serves as one of three trustees and as to which he disclaims beneficial ownership, (ii) 45,000 shares of common stock held by a trust for the benefit of Meredith A. Lipke, as to which Brian J. Lipke serves as one of five trustees and as to which he disclaims beneficial ownership, (iii) 8,407 shares of common stock held by a trust for the benefit of the daughter of Meredith A. Lipke, as to which Brian J. Lipke serves as one of four trustees and as to which he disclaims beneficial ownership, (iv) 18,750 shares of common stock held by trusts for the benefit of the children of Eric R. Lipke, as to which Brian J. Lipke serves as one of three trustees and as to which he disclaims beneficial ownership, (v) 2,077 shares of common stock held in a custodial account for the benefit of a relative of Brian J. Lipke and as to which he disclaims beneficial ownership, (vi) 5,040 shares of common stock held in a custodial account for the benefit of the children of Eric R. Lipke and as to which he disclaims beneficial ownership and (vii) 180,900 shares of common stock, representing Brian J. Lipke's proportionate share of common stock held by Rush Creek Investment Co., L.P. ("Rush Creek"). Rush Creek's general partner is Rush Creek Management Company, LLC, which is owned pro rata by trusts established for the benefit of each of Brian J. Lipke, Neil E. Lipke, Curtis W. Lipke, Eric R. Lipke and Meredith A. Lipke.
- (4) Includes (i) 40,682 shares of common stock registered in the name of the reporting person, including 4,000 restricted shares with respect to which Mr. Lippes exercises voting power but does not currently have dispositive power and (ii) 1,875 shares of common stock held by Lippco Capital LLC, a company controlled by Mr. Lippes.
- (5) Includes (i) 25,682 shares of common stock registered in the name of the reporting person, including 4,000 restricted shares with respect to which Mr. Montague exercises voting power but does not currently have dispositive power.
- (6) Includes 10,375 shares of common stock registered in the name of the reporting person, including 4,000 restricted shares with respect to which Mr. Russ exercises voting power but does not currently have dispositive power. Excludes an aggregate of (i) 28,267 shares of common stock held by the Kenneth E. Lipke Trust, as to which Mr. Russ serves as one of three trustees and as to which he disclaims beneficial ownership; and (ii) 895,455 shares of common stock held by Rush Creek as to which Mr. Russ serves as trustee of the sole partner and as to which he disclaims beneficial ownership.
- (7)

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Includes (i) 7,375 shares of common stock registered in the name of the reporting person, including 4,000 restricted shares with respect to which Mr. Campbell exercises voting power but does not currently have dispositive power and (ii) 3,750 shares of common stock held by an Individual Retirement Account for the benefit of Mr. Campbell.

- (8) Includes 12,000 shares of common stock registered in the name of the reporting person, including 8,000 restricted shares with respect to which Mr. Colombo exercises voting power but does not currently have dispositive power.

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- (9) Includes 17,000 shares of common stock registered in the name of the reporting person including 8,000 restricted shares with respect to which Mr. Sadler exercises voting power but does not currently have dispositive power.
- (10) Includes (i) 19,830 shares of common stock registered in the name of the reporting person and (ii) 12,419 shares of common stock to be issued within sixty (60) days due to the vesting of restricted stock units.
- (11) Includes (i) 3,457 shares of common stock registered in the name of the reporting person and (ii) 1,942 shares of common stock to be issued within sixty (60) days due to the vesting of restricted stock units.
- (12) Includes (i) 793 shares of common stock issuable under currently exercisable options; (ii) 1,535 shares of common stock allocated to Mr. Murray's self-directed account under our 401(k) Retirement Savings Plan, and (iii) 505 shares of common stock to be issued within sixty (60) days due to the vesting of restricted stock units.
- (13) Includes (i) 926 shares of common stock registered in the name of the reporting person and (ii) 525 shares of common stock to be issued within sixty (60) days due to the vesting of restricted stock units.
- (14) Includes currently exercisable options to purchase an aggregate of 93,750 shares of common stock issuable to certain of our executive officers under our Original Incentive Stock Option Plan. Excludes 28,267 shares of common stock held by the Kenneth E. Lipke Trust, as to which Arthur A. Russ, Jr. and Brian Lipke serve as two of the three trustees and as to which they disclaim beneficial ownership.

**PROPOSAL 2
RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Company's Board has selected the firm of Ernst & Young LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2008 and recommends that the stockholders vote for the ratification of that selection. Ernst & Young LLP audited the Company's consolidated financial statements for Fiscal Year 2007, 2006 and 2005. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and will be given the opportunity to make a statement if they so desire and to respond to appropriate questions.

The selection of the Company's independent registered public accounting firm is made annually by the Audit Committee. Before selecting Ernst & Young LLP, the Audit Committee carefully considered that firm's qualifications as the independent registered public accounting firm for the Company and the audit scope. Stockholder ratification of the Audit Committee's selection of Ernst & Young LLP as the Company's independent registered public accounting firm is not required by the Company's bylaws or otherwise. The Company's Board of Directors is submitting the selection of Ernst & Young LLP to the stockholders for ratification and will reconsider whether to retain Ernst & Young LLP if the stockholders fail to ratify the Audit Committee's selection. In addition, even if the stockholders ratify the selection of Ernst & Young LLP, the Audit Committee may in its discretion appoint a different independent accounting firm at any time during the year if the Audit Committee determines that a change is in the best interests of the Company.

Vote Required

The affirmative vote of the holders of a majority of the shares of Common Stock present, in person or by proxy, and entitled to vote at the meeting is required to ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for 2008.

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**THE AUDIT COMMITTEE AND THE BOARD RECOMMEND THAT
STOCKHOLDERS VOTE FOR THIS PROPOSAL 2.**

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Audit Committee is responsible for reviewing and approving related party transactions on an ongoing basis.

On August 31, 2007, we entered into a second amended and restated credit agreement with KeyBank National Association serving as lead bank of a syndicate. Robert E. Sadler, Jr. is Vice Chairman of the Board of Manufacturers and Traders Trust Company, one of the lenders under that agreement.

The firm of Lippes Mathias Wexler Friedman, LLP, of which Mr. Lippes, a Director of the Company, is a partner, serves as counsel to the Company. During 2007, this firm received approximately \$1,950,000 for legal services rendered to the Company. The firm of Phillips Lytle LLP, of which Mr. Russ, a Director of the Company, is a partner, also provided legal services to the Company in 2007 and received approximately \$311,000.

The Company is also party to a consulting agreement with Mr. Neil E. Lipke a former officer of the Company and a brother of Mr. Brian J. Lipke, a Director and officer of the Company, through December 2008 pursuant to which Mr. Neil E. Lipke shall be compensated in exchange for providing consulting services to the Company.

OTHER MATTERS

The Company's management does not currently know of any matters to be presented for consideration at the Annual Meeting other than the matters described in the Notice of Annual Meeting. However, if other matters are presented, the accompanying proxy confers upon the person or persons entitled to vote the shares represented by the proxy, discretionary authority to vote such shares in respect of any such other matter in accordance with their best judgment.

**INFORMATION ABOUT OUR INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

The Audit Committee has selected Ernst & Young LLP (E&Y) as the Company's independent registered public accounting firm for the 2008 fiscal year. E&Y served as our independent registered public accounting firm and audited our consolidated financial statements for the fiscal year ended December 31, 2007 and 2006, audited management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2006, and expressed an opinion as to whether the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007 and 2006. E&Y also performed audit-related services and consultation in connection with various accounting and financial reporting matters. Additionally, E&Y performed certain non-audit services during fiscal 2007 and 2006 that are permitted under the Sarbanes-Oxley Act and related rules of the SEC. E&Y will have a representative present at the Annual Meeting who will be available to respond to appropriate questions. The representative will also have the opportunity to make a statement if he or she desires to do so.

The Audit Committee determined that the provision of the audit-related and permitted non-audit services provided by E&Y during fiscal 2007 and 2006 was compatible with maintaining their independence pursuant to the auditor independence rules of the SEC for each of these years.

Fees Billed to the Company by E&Y during Fiscal Year 2007 and 2006

Audit Fees

The aggregate fees billed by E&Y for each of the fiscal years ended December 31, 2007 and 2006 for services rendered for the audit of the Company's annual financial statements and internal control over financial reporting included the Company's annual reports on Form 10-K and review of the interim financial statements included in the Company's quarterly reports on Form 10-Q, including services related thereto, were \$1,998,522 and \$1,988,621, respectively.

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Audit-Related Fees

The aggregate fees billed by E&Y for each of the fiscal years ended December 31, 2007 and 2006 for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported as Audit Fees, including due diligence were \$512,646 and \$76,562, respectively.

Tax Fees

The aggregate fees billed by E&Y for the fiscal years ended December 31, 2007 and 2006 for services rendered for tax compliance (including tax planning and tax advice and other tax services (including advice related to mergers and acquisitions) were \$44,858 and \$61,212, respectively.

All Other Fees

There were no fees billed by E&Y for each of the fiscal years ended December 31, 2007 and 2006 for products and services other than those described above.

Pre-Approval for Non-Audit Services Policies and Procedures of the Audit Committee

The Audit Committee has adopted procedures for pre-approving non-audit services to be provided by E&Y. In considering such approval, the Audit Committee may request all such information and documentation from the Company as it deems necessary in order for it to make its decision with respect to the requested engagement. The Audit Committee may discuss the potential engagement with the independent registered public accounting firm, with its counsel or other professional advisors. The Audit Committee shall consider whether or not the performance of the requested non-audit services complies with law, including but not limited to the Sarbanes-Oxley Act and the regulations promulgated by the Securities and Exchange Commission thereunder. It shall also consider whether the services provided will have a negative effect upon the integrity of the Company's financial reporting, whether by approving such engagement the Audit Committee is complying with and promoting its purposes, duties and functions as set forth in its Charter, and it shall also consider any potential negative effect which the engagement may have on the Company, including the possible appearance of a conflict of interest or impropriety.

OTHER INFORMATION

THE COMPANY WILL PROVIDE WITHOUT CHARGE TO EACH PERSON WHOSE PROXY IS SOLICITED, ON THE WRITTEN REQUEST OF SUCH PERSON, A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K, FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007, FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, INCLUDING THE FINANCIAL STATEMENTS AND THE SCHEDULES THERETO. SUCH WRITTEN REQUEST SHOULD BE DIRECTED TO GIBRALTAR INDUSTRIES, INC. 3556 LAKE SHORE ROAD, PO BOX 2028, BUFFALO, NEW YORK 14219-0228, ATTENTION: VICE PRESIDENT OF COMMUNICATIONS AND INVESTOR RELATIONS. EACH SUCH REQUEST MUST SET FORTH A GOOD FAITH REPRESENTATION THAT, AS OF MARCH 20, 2008, THE PERSON MAKING THE REQUEST WAS A BENEFICIAL OWNER OF SECURITIES ENTITLED TO VOTE AT THE ANNUAL MEETING OF STOCKHOLDERS.

STOCKHOLDERS PROPOSALS

Proposals of stockholders intended to be presented at the 2009 Annual Meeting must be received by the Company by December 5, 2008 to be considered for inclusion in the Company's Proxy Statement and form of proxy relating to that meeting.

The accompanying Notice and this Proxy Statement are sent by Order of the Board of Directors.

Timothy J. Heasley

Secretary

Dated: April 17, 2008

STOCKHOLDERS ARE URGED TO EXECUTE THE ACCOMPANYING PROXY AND RETURN IT PROMPTLY IN THE ACCOMPANYING ENVELOPE, WHETHER OR NOT THEY EXPECT TO ATTEND THE MEETING. A STOCKHOLDER MAY NEVERTHELESS VOTE IN PERSON IF HE OR SHE DOES ATTEND.

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**PROXY
GIBRALTAR INDUSTRIES, INC.
PROXY FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 15, 2008
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby appoints BRIAN J. LIPKE, HENNING KORNBREKKE AND KENNETH W. SMITH and each or any of them, attorneys and proxies, with the full power of substitution, to vote at the Annual Meeting of Stockholders of GIBRALTAR INDUSTRIES, INC. (the Company) to be held at the Albright-Knox Art Gallery, 1285 Elmwood Avenue, Buffalo, New York, on May 15, 2008 at 9:00 a.m., local time, and any adjournment(s) thereof revoking all previous proxies, with all powers the undersigned would possess if present, to act upon the following matter and upon such other business as may properly come before the meeting or any adjournment(s) thereof.

(Continued and to be signed on the reverse side.)

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**ANNUAL MEETING OF STOCKHOLDERS OF
GIBRALTAR INDUSTRIES, INC.**

May 15, 2008

Please date, sign and mail
your proxy card in the
envelope provided as soon
as possible.

View Proxy Materials and Annual Report Online at
www.proxydocs.com/rock

ê Please detach along perforated line and mail in the envelope provided. ê

20330000000000000000 9

051508

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK
YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ý**

		FOR	AGAINST	ABSTAIN
1. ELECTION OF CLASS I DIRECTORS:				
	NOMINEES:			
	FOR ALL NOMINEES			
o				
	i Brian J. Lipke			
	i Arthur A.			
	i Russ, Jr.			
	William P.			
	Montague			

2. PROPOSAL TO	o	o	o
APPROVE THE			
SELECTION OF			
ERNST &			
YOUNG LLP AS			
THE			
COMPANY S			
INDEPENDENT			
REGISTERED			
PUBLIC			
ACCOUNTING			
FIRM.			

o

WITHHOLD AUTHORITY

o **FOR ALL NOMINEES**

FOR ALL EXCEPT
(See Instructions below)

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN. IF NO DIRECTION IS MADE REGARDING PROPOSAL 1, THIS PROXY WILL BE VOTED FOR THE NOMINEES LISTED ABOVE. IF NO DIRECTION IS MADE REGARDING PROPOSAL 2, THIS PROXY WILL BE VOTED FOR THE APPROVAL OF THE SELECTION OF ERNST & YOUNG LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

**PLEASE MARK, SIGN, DATE AND RETURN
THE PROXY CARD PROMPTLY USING
THE ENCLOSED ENVELOPE.**

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: =

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Signature of Stockholder

Date:

Signature of Stockholder

Date:

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.