instaCare Corp.
Form 10KSB/A
September 07, 2005
United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-KSB/A

(Amendment No. 1)

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2004

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition Period from _________to__________

Commission File Number 0-33187

instaCare Corp.

(Exact Name of Registrant as Specified in its Charter)

Nevada	**91-2105842**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

2660 Townsgate Road, Suite 300, Westlake Village, CA	**91361**
(Address of principal executive offices)	(Zip code)

Registrant s Telephone Number, Including Area Code: (805) 446-1973

Securities Registered Pursuant to Section 12(b) of the Act: NONE

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, $0.001 par value per share, 1,250,000,000 shares authorized, 281,140,421 issued and outstanding as of the most recent practicable date.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. o

The approximate aggregate market value of the Common Stock held by non-affiliates of the registrant, based upon the closing price of the Common Stock reported on OTCBB, was $5,295,624 as of the most recent practicable date. For the purposes of this computation, all executive officers, directors and 5% shareholders of the Company have been assumed to be affiliates. Certain of such persons may disclaim that they are affiliates of the Company.

EXPLANATORY NOTE:

*** As a result of comments received from the Securities and Exchange Commission relating to another filing, the Registrant is filing this Amendment No. 1 to Form 10-KSB to amend its amended Annual Report on Form 10-KSB for the year ended December 31, 2004, (the "Original Filing") filed on April 14, 2005, with the Securities and Exchange Commission in order to revise certain financial statement disclosure related to stock issued for services.**

This Amendment does not amend any other information previously filed in the Original Filing. The Original Filing is hereby superseded and amended with respect to Items 6 and 7 set forth in this Amendment No. 2.

Some of the statements contained in this Form 10-KSB are not historical facts rather "forward-looking statements" which can be identified by the use of terminology such as "estimates," "projects," "plans," "believes," "expects," "anticipates," "intends," or the negative of such terms or other variations, or by discussions of strategy that involve risks and uncertainties. Caution should be exercised in regards to these forward-looking statements. Such statements contained herein reflect our current beliefs with respect to future events. These beliefs involve known and unknown risks, uncertainties and other factors, including, but not limited to, economic, competitive, regulatory, technological, key employee and general business factors affecting our operations, market growth, services, products and licenses. No assurances can be given regarding the achievement of future results. Actual results may differ materially as a result of the above-mentioned risks, and from assumptions made based on anticipated events. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the Risk Factor section of this document and in Item 6, Management s Discussion and Analysis of Financial Condition or Plan of Operation.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

Overview and History

The Company was formed in the State of Nevada on March 2, 2001. In June of 2001, we elected to change the corporate name from ATR Search to CareDecision Corporation. Pursuant to reorganization in 2002, we authorized the issuance of 3,419,500 shares valued at $229,899, for all the assets and liabilities of Care Technologies, LLC, becoming the parent of Care Technologies, LLC. Care Technologies, LLC was dissolved in April 2003. Pursuant to a Merger in June of 2002, we acquired Medicius, Inc. at a following conversion rates: (i) one common share of Medicius in exchange for three common shares of CareDecision, (ii) one Series A Preferred share of Medicius in exchange for three and one-half common shares of CareDecision. CareDecision is a developmental stage company whose principal business objective 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. We have a website at http://www.caredecision.net, which provides a description of our services and products.

At the time of the merger with Medicius, Inc. and until August 2003 CareDecision s management (Management) believed that there was substantial growth opportunities that could be achieved in the Internet medical-based communication software and application industry (e-health), specifically through hand held products such as Person Digital Assistant (PDA) devices. Management believed that the Company was well positioned to take advantage of the growth opportunities in that marketplace because in recent years, Internet-based communication has become very popular and PDAs were available from most major computer brands such as Sony, Dell, IBM and Palm. To maximize our potential, CareDecision significantly expanded our focus to include not only medical applications, but also applications in the real estate and lodging markets, which presented non-competing and similar opportunities.

CareDecision had a major shift in our business strategy in late 2002. Up until the fourth quarter in 2002 our focus and marketing efforts were directed toward general medical and pharmaceutical medical applications. However, in the last quarter of 2002, with the completion of our applications for the real-estate management and lodging markets we began marketing our products primarily to property management companies and then later to the lodging sector. In 2003 we began to focus primarily on the marketing of our applications to the lodging sector by hiring a sales and service agency for added representation, by changing our products to reflect regional differences in the lodging sector, and by creating brochures and marketing materials.

In early 2004 CareDecision began to focus again on our medical applications after receiving several unsolicited offers to complete sales or licensing transactions for portions of our medical software technologies. In April 2004, after evaluating one such transaction, we entered into an agreement with, DataFuzion, Inc., a Colorado based medical expert systems and software company. Our agreement with DataFuzion called for the Company to provide a license to its Practice-Probe and MD@Desktop applications, two non-core medical technologies, in return for 10% of DataFuzion s common stock.

In May 2004 the Company met with two companies based in Scottsdale, AZ, CareGeneration, Inc. and Futurecom Global, Inc., companies that had also made offers for portions of our medical technologies. CareGeneration, Inc., a developmental stage company, was focused on the pharmaceutical distribution medical market and the general medical and indigent medical care markets, offering bulk pharmaceuticals and pre-paid bankcards. Futurecom Global, Inc. was a distributor of hand held computers and RFID technology with a focus on hospitals and medical insurance companies.

A renewed focus on healthcare markets allowed CareDecision to change the scope of our business from that of a supplier of specialized IT products and services, whether directed toward the lodging or the medical markets, to a company that for the first time could make available our specialized IT products and services to drive other, potentially more profitable lines of business such as pharmaceuticals.

In late 2004 CareDecision entered into an agreement with Mr. Ronald Kelly, the controlling shareholder of CareGeneration, Inc., to acquire his medically related distribution businesses through an acquisition into one of our subsidiary corporations. These businesses included a wholesale prescription drug trading business, which had been in operation since early 2003 but had been operated as a proprietorship, and a retail mail order pharmacy business that was still in the developmental stage. In December 2004, while still in negotiations for the closure of our acquisition of CareGeneration, Inc., CareDecision signed an agreement with Mr. Kelly both individually and as the executive of CareGeneration, Inc., among others, to manage the businesses of CareGeneration, Inc. until such time as the acquisition transaction closed. The operating agreement terminated on February 25, 2005, the first day CareDecision assumed ownership and control of CareGeneration, Inc.

Since December 2004 CareDecision has maintained two businesses, the hotel IT products business and the CareGeneration, Inc. business involved in the trading and bulk distribution of prescription drugs.

Capitalization

Our Amended Articles of Incorporation authorize us to issue up to 1,250,000,000 shares of common stock at a par value of $0.001 per share and 5,000,000 shares of preferred stock at a par value of $0.001 per share. As of the most recent practicable date we had 281,140,421 shares of our common stock and 207,526 shares of our preferred stock outstanding. We do not currently plan to raise additional equity funding in the next twelve months believing that our current cash position is sufficient to fund the growth of our two businesses and to fund the startup of the third business. Alternatively, we may choose to reduce cash expenditures in the next 12 months for our lodging IT business or sell that business to generate additional cash. Funds could also be generated through the exercise of common stock purchase warrants currently held by institutional entities that have previously provided us funding. Finally cash expenditures could be reduced through consolidation, the lay-off of personnel and or a reduction in employee salaries or benefits.

Industries/Markets Serviced

<u>Pharmaceutical Distribution</u>

Expenditures on prescription drugs accounts for more than 10 percent of the $1.5 trillion annual domestic healthcare market. However, a significant portion of the U.S. population   45 million based on recent estimates or more than 15 percent of the total population   is excluded from receiving the drugs critical to health, longevity and quality of life due to a lack of health insurance. Various programs, sponsored by large hospital chains through clinics but typically through state and federal government programs, attempt to provide drug benefits to the uninsured and underinsured population, but study after study have shown that administrative inefficiencies and government bureaucracy inhibit these programs.

By linking a centrally located, state-of-the-art, drug distribution facility, with an established wholesale prescription distributor, and powerful wireless technology, the Company is positioned to bring economic and administrative efficiencies to the projected $8 billion market for delivering prescriptions to medically uninsured and underinsured consumers. Thus far CareDecision, through our recent acquisition of CareGeneration, Inc., has only targeted firms that currently service this market, through the sale of discounted bulk pharmaceuticals. However, as one of the only organizations targeting this vast, underserved market, a market that typically includes a higher proportion of unhealthy and more elderly people, the Company is positioning itself to accumulate market share by servicing the market directly.

The constituent pieces of the Company include capabilities to produce and assemble wireless computing devices equipped with medical data bases and content that can be provided to physicians that operate clinics providing service to the poor and uninsured, software development expertise for these devices so that these physicians can prescribe medications for their patients, drug purchasing capabilities and discount drug distribution capability through our existing facility in Illinois, and an emerging mail order pharmacy so that the prescriptions from the aforementioned physicians can be filled. The market for prescription drugs is expected to top $446 billion in the next decade, due to several market drivers:

Aging of Population. The number of individuals over the age of 50 in the United States is projected to grow from 28% of the population presently to 40% of the population in 2005. The aging population s therapy needs will be in predictable categories that require continued treatment for diabetes, high cholesterol, heart disease and other health problems. This demographic group represents the largest percentage of new prescriptions filled and obtains more prescriptions per capita annually than any other age group.

Life Expectancy. The Centers for Disease Control and Prevention states that life expectancy in this country has reached an all time high of 77.2 years in 2001. This is an increase of more than two months from 2000 when it was 76.9 years. The rise continues an upward trend broken only once in the last decade. In 1900, a newborn American could expect to live 47.3 years. In addition to living longer, Americans are spending more on healthcare. In 2001, healthcare spending in the United States was $1.4 trillion.

Introduction of new drugs. Continued introduction of new drugs for new indications, and the improvement of existing drugs, is creating continued growth for the pharmaceutical industry.

Direct-to-consumer advertising. Pharmaceutical companies have dramatically increased their focus on direct to consumer (DTC) advertising. DTC advertising now represents the second largest form of advertising for pharmaceutical companies, second only to marketing efforts targeted to health practitioners. Verispan, a leading industry analyst firm, has estimated that more than 70% of consumers identify drugs for self-diagnosed conditions via DTC advertisements, and doctors have been shown to issue prescriptions for drugs requested by consumers more than 90% of the time.

Our pharmaceutical distribution business will thus supply some of our competitors with discount bulk pharmaceuticals for the generation of cash flow, and put this increased cash flow to use in an attempt to become a more effective competitor through the distribution of our proprietary medical IT to physicians that provide service to the poor and uninsured in the hopes that a critical mass of these physicians will electronically refer prescriptions for their patients to the Company for fulfillment. This technology pull-through business model, although not unique, is being implemented, the Company believes, for the first time in an indigent care setting.

Real Estate and Hotel/Motel Applications

In late 2002 we introduced ResidenceWare, a collection of Internet-enhanced communication, integration, and networking software systems and applications designed for the apartment management and lodging industries, that reside on and function through Windows CE-based PDAs and the Wi-fi networks that manage these PDAs. ResidenceWare was proprietarily and internally developed in cooperation with prominent commercial and residential real estate management companies, and hotel owners who defined for the Company a 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. CareDecision employs a cooperative advertising model where we will share advertising revenue and electronic commerce revenue generated with the hotel/apartment building owner or manager.

In the summer of 2003 CareDecision formalized an informal agreement with PCHertz.com, Inc. of Fargo, ND for the installation and sales of our ResidenceWare units. In February 2004 the Company temporarily stopped taking new orders for our Residenceware products when we realized that our product provided an ordering hotel with a competitive advantage over neighboring hotels. Normally, a competitive advantage could be turned into a positive occurrence as competing hotels move to catch up, but under an advertising sponsored business model, it proved difficult to get area vendors to sponsor advertising once all hotels in a business trade area could carry the same ad from the same vendor. To that point PCHertz.com, Inc. had received orders from 28 hotels or motels with approximately 2900 rooms. The Company thus changed our Residenceware business model from an advertising sponsored model to a model where the Company sells and installs the Wi-Fi network at the hotel on a price per room basis, receives payment, then provides sponsored advertising for a fee, and then falls back waiting for a growing e-transactions base to build. CareDecision has since shipped approximately 1100 Residenceware units in 12 hotels originally brought to the Company by PCHertz.com, Inc. The Company is responsible for sales,

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service, installation and the cooperative advertising model. PCHertz.com remains a sales agency and a referral source for the Company.

Of the units placed, approximately one half were manufactured and/or distributed by companies such as ASUS, Casio and Viewsonic. Dell Computer, Inc. (Dell) manufactured the remaining units. Since October 1, 2004 all units placed have been Dell units. The hotel owners who have placed orders have also collectively placed additional orders for many more ResidenceWare systems conditioned upon the successful implementation of their initial orders. Several of our hotel customers are part of multiple loose partnerships that may include family members, business associates and outside investor partners that lead to additional sales, placements and unexpected networking opportunities. Now that our business model is more easily salable to hotel owners with loose partnership structures we have begun to install additional hotels with our Residenceware networks as we also complete installation of the original (approximately) 2900 units ordered.

Also 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.

SateLink

SateLink is CareDecision s 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 previously unattainable 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. CareDecision believes 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.

The development SateLink launched CareDecision into a previously unexplored industry for our Company. Its creation, however, is wholly consistent with our corporate mission of introducing innovative technologies that resolve electronic communication barriers within multiple and diverse markets. The creation of SateLink was sparked by a specific request from a dominant industry participant seeking a technological resolution to a particular communication barrier that has hampered a systematic introduction of their product. CareDecision remains in discussions with this dominant participant about potential sale or license of its SateLink product.

Until August 2004 our principal products were: an E-Health handheld information appliance (PDA) software application package, and a permanently affixed handheld information appliance and Wi-Fi (wireless) network designed for the hotel, motel and apartment marketplace and a handheld wireless information appliance for the satellite media market. Beginning 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. CareDecision 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.

Current Business Focus

Our current business focus is in two distinct areas. The first area of focus is indigent care where we will leverage our IT communications technologies, providing these technologies to physicians who treat the poor and indigent, in return for our devices being used to drive business to our pharmaceutical distribution division. The second area of focus is the hotel/motel market where our Residenceware products and services have begun building traction.

To accomplish our business goals we are marketing a comprehensive suite of medical information technology, cooperative advertising, instant messaging and fulfillment, and electronic commerce applications that are Internet enhanced, integrated for medical professional use, and hotel management/guest use, and for the on-site satellite media installation technician. Our software suites function through networks of wireless PDA Internet appliances. Our applications have been designed to meet the needs of the inpatient and outpatient medical environments, the hotel management staff and guest (consumer), and the satellite media technician. Our devices are designed to be regulatory standard compliant.

Our newest product designed for the satellite media industry provides applications and leverages information obtained through connections with one or more communications satellites. Our product is designed for use by installation and customer support technicians and offers instant and secure communication between the individual subscriber and the satellite broadcast service through a PDA-like device operated by the installation technician in the presence of the subscriber.

Prior to our merger with Medicius, Inc. in 2002 two broad based patent applications were filed covering most of the methods employed by our technologies. We intend to file derivative patent applications covering the processes, use and functionality of our technologies and products. We currently use and benefit from an intellectual technology portfolio covering the technologies included in our products and we intend to continue to file patent applications. We believe that due to the rapid pace of technological change in our industries, factors such as the knowledge, ability and experience of our employees, frequent software product enhancements and the timeliness and quality of support services are keys to our success. This success is also dependent, in part, upon our proprietary technology and other intellectual property rights.

We were granted provisional approval for use of a family of trademarks covering our healthcare technology solutions, however, we have not sought to complete the application process due to our change in focus. Our management has assigned such patent and copyright registrations to us and we continue to utilize the modular software components in our products.

We also license software and data from third parties, which we incorporate into our own products, some of which are critical to the operation of our software. We license several software applications that could be considered arcane or even overly specialized. Given the change that continues to occur in information technology, these third party licenses may not continue to be available to us on commercially reasonable terms. No assurance can be given that any of our software products will receive additional patent or other intellectual property protection. It is unclear whether any of the existing copyrights or patent applications, if granted will contribute any significant value to our business in the future.

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 electronic prescriptions, medical diagnostic ordering and fulfillment 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.

Our medical oriented products 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 is among the first to offer complicated and real-time point of care applications, previously legacy (mainframe or PC network) system applications, on a totally portable (PDA) appliance.

The Wi-Fi hotel/motel and apartment software makes use of much of the foundation technologies resident in the medical product, however, 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.

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 the latest in commercial Wi-Fi technology, we wrapped the time and volume tested commercial technologies into our patent pending PDA communication networking technologies, allowing us to be the first to offer complex and real-time point of sale applications through a totally wireless (PDA) appliance.

The satellite broadcast industry product also makes use of much of the foundation technologies resident in the medical product, however, given the differences in the two markets that the products service, the satellite broadcast product is much more security and customer service oriented, offering the satellite broadcast company the ability to better configure their services for the subscriber. This product also allows the office bound sales agent to be able to concentrate on the sale of additional services to subscribers.

Our technologies and products for the satellite broadcast marketplace are designed to allow the on-site technician the ability to configure a subscriber system in seconds while also allowing the satellite broadcast company to control the on-site technician, a person who is typically not employed by the satellite broadcast concern, thereby cutting down on fraud and waste inherent to their business models. Our product employs their proprietary technologies coupled with the latest off-the-shelf wireless communication devices into their patent pending PDA communication networking technologies, allowing us to be the first to offer complex and real-time point of sale applications through a wireless (PDA) appliance that communicates with a satellite.

Our PDA 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 PDA software provides rules based software capabilities and the ability to receive order fulfillment information for over 5,000 users simultaneously, which represents approximately 3 years of user encounters in a typical network setting, and allows the user to access financial and technical data and/or rules, coverages and policies.

Recent Broadening of Focus

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 CareDecision, our Pharma Tech Solutions Inc. (PTSI) 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 the Company and our subsidiary could operate while the license was in transfer. All closing activities surrounding the merger of the companies were completed on January 27, 2005 and the transaction closed on February 25, 2005.

PTSI 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.

CareDecision s business model and plan is to combine the newly acquired wholesale and retail drug distribution businesses now managed by PTSI and couple these businesses with the capabilities to connect physicians, using CareDecision s state-of-the-art 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.

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 its 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:

Discounted pharmaceutical and healthcare supplies marketed by mail order to minority and citizen organizations (religious groups, unions, etc.)

A proprietary biometric secured bankcard primarily targeted to the under-insured. The bankcard is honored by any FDIC bank within the United States.

Discounted pharmaceutical and healthcare supplies marketed by mail order to state Medicaid and the Federal Medicare plans.

CareDecision has 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 the Company 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 the Company 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.

New Product Offerings

With our new prescription drug distribution business now coming on-line, the Company has decided to begin the practice of specializing in the distribution of medical diagnostic and medical disposable products associated with the on-going care of diabetes inflicted patients. This decision was made because the treatment and care of diabetes patients is an on-going lifetime process. To date the Company has entered into agreements with distribution arms of two major manufactures and distributors of competing diabetic diagnostic products. The Company plans to add more of these diagnostic products as we further specialize into this medical niche.

Distribution, Marketing and Customer Relations

Management intends to implement an aggressive but targeted marketing campaign to educate healthcare providers about our medical technology solutions, hotel/motel owners about our technologies and products for the hotel/motel marketplace and our technologies and products for the satellite broadcast marketplace by demonstrating the benefits obtained through their use. The industry focused marketing campaigns are intended to leverage our efforts by qualifying customers needs and interests.

The CareDecision medical marketing strategy will ultimately target 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. The indigent care physician will be the ultimate determinant as to the success of any given system; therefore, it is incumbent on any marketing strategy to focus on the satisfaction of their needs.

CareDecision has 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. Given the lack of resources available for the treatment of the indigent 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 the desired transition. More importantly, the physician can use the CareDecision product to prescribe medications for the special patients he cares for and can expect these medications to be delivered to the patients door the next morning, thereby taking middlemen, intermediaries and inherent complications out of the system.

Healthcare is an interdependent web of payors and providers. CareDecision s success strategy is reliant on targeting a single sector within the industry. As has been previously stated, although the physician will determine a product s utilization, it is the other components of the system that will bear the cost of the products and services introduction and ongoing employment. State Medicaid and state and local welfare service providers are agencies that 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. A company that enters this loop to complete the link that can provide utility

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and value to participants will be embraced. It is incumbent on CareDecision 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.

The CareDecision hotel/motel marketing strategy will ultimately target hotel/motel owners through the provision of technology and services that specifically respond to their needs and requirements. The hotel/motel owners will be the ultimate determinant as to the success of any given system; therefore, it is incumbent on any marketing strategy to focus on the satisfaction of their needs. CareDecision has 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 will concentrate each of our marketing efforts in specific target geographic locations that will 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. The overwhelming percentage of software for PDAs designed to work in conjunction with wireless computer networks tend to be specialized versions of existing applications that allow secure wireless connectivity. We believe our ResidenceWare applications are perhaps the first wireless applications that provide both the specific utility of focused e-business connectivity, while at the same time offering traditional wireless connectivity for most existing Internet appliances.

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.

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. We believe that our ResidenceWare product has no current direct competition.

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, CareDecision is 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. Large publicly traded companies: WebMD, formerly known as Healtheon (HLTH), the former MedicaLogic/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. 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 CareDecision s system. However their approach involves a greater capital cost and is plagued with platform data management disadvantages compared to CareDecision s 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 CareDecision. 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.

The CareDecision satellite marketing strategy will ultimately target the satellite broadcast providers through the provision of technology and services that specifically respond to their needs and requirements. Each satellite provider will be the ultimate determinant as to the success of any given system; therefore, it is incumbent on any marketing strategy to focus on the satisfaction of their needs. CareDecision has designed our satellite products to allow the on-site technician the ability to configure a subscriber system in seconds while also allowing the satellite broadcast company to control the on-site technician features that specifically respond to their needs. 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.

Based on management s industry experience, CareDecision believes it can build a strong reputation for the quality of our products and services as well as our client-oriented approach. We believe that our experienced employees, broad range of products and services, local and broad market expertise, and operating infrastructure enable us to compete effectively in each of our business disciplines.

Government Regulation

Federal, state, local and foreign governmental organizations may propose or institute laws or regulations concerning various aspects of the medical industry, including electronic claims processing, electronic prescriptions and privacy matters. CareDecision is not currently subject to direct regulation by any domestic or foreign governmental agency, other than regulations applicable to businesses generally, and laws or regulations directly applicable to the medical industry. However, due to the increasing popularity and use of the Internet and other online services, it is possible that a number of laws and regulations may be adopted with respect to the Internet or other online services covering issues such as user privacy, pricing, content, copyrights, distribution and characteristics and quality of products.

Furthermore, the growth and development of the market for online commerce may prompt calls for more stringent consumer protection laws that may impose additional burdens on those companies conducting business online. The adoption of any additional laws or regulations may decrease the demand for our products and services and increase our cost of doing business, or otherwise have an adverse effect on our business, prospects, financial condition and results of operations.

Proprietary Rights

Although the Company has developed or acquired exclusive rights to all of our software applications, we may be required to license additional products or services in the future, for use in the general operations of our business plan. We cannot assure you that these third party licenses will be available or will continue to be available to us on acceptable terms if at all. The inability to enter into and maintain any of these licenses could have a material adverse effect on our business, financial condition or operating results. In addition, policing unauthorized use of our proprietary and other intellectual property rights could be expensive if not difficult or impossible.

We cannot guarantee that third parties will not bring claims of copyright or trademark infringement against us or claim that certain aspects of our processes or other features violates a patent they may hold. There can be no assurance that third parties will not claim that we have misappropriated their creative ideas or formats or otherwise infringed upon their proprietary rights. Any claims of infringement, with or without merit, could be time consuming to defend, result in costly litigation, divert management attention, or require us to enter into costly royalty or licensing arrangements. These potentialities could have a material adverse effect on our business, financial condition or operating results.

Employees

As of December 31, 2004 CareDecision currently has 5 part time and 9 full staff employees. The full time employees are situated as follows: 6 are located in the California office, one is in the New York office and two are based in Florida. In addition, at the time of the acquisition of CareGeneration, Inc. by the Company s Pharma Tech Solutions, Inc. subsidiary, there were 8 additional full-time personnel based in Scottsdale, AZ and one full-time and two part-time personnel in Macomb and 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 contracts and management believes our relations with our employees are good.

RISK FACTORS

The following discussion contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and in Item 6, Management s Discussion and Analysis of Financial Condition or Plan of Operation.

Our limited operating history could delay our growth and minimize your investment.

We are considered a development stage company with an inception date of July 6, 2000 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 have a negative impact the value of our Company s common shares and could result in the loss of your entire investment.

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

We have historically lost money. As a result, the Company incurred accumulated net losses from July 6, 2000 (inception) through the period ended December 31, 2004 of $(10,106,442). In addition, the Company 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 had a major shift in our business strategy in 2003. The transactions contemplated herein will further evolve that strategy. It was not until the last quarter of 2002 that we focused on the integration and marketing of our systems and applications to non-medical industries, particularly motels, hotels, and real estate management company properties. In this regard, we have only recently begun to generate revenues from these business sectors. We have a limited operating history upon which to evaluate our business plan and prospects. Although the transactions contemplated herein should provide sources of revenue, there is not as yet a history of profit. If we are unable to obtain additional external funding or generate revenue from the sales of our products, we could be forced to curtail or cease our operations.

Our profitability and your investment will be directly affected by our competition.

Many of CareDecision s potential competitors have longer operating histories, larger clientele bases, better service recognition and significantly greater financial, marketing and other resources than do we. Increased competition may result in reduced operating margins, loss of market share and a diminished brand franchise. There can be no assurance that we will be able to compete successfully against current and future competitors, and competitive pressures faced by us could harm our operating results, our business prospects, and financial condition.

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

Our performance is substantially dependent on the services and on the performance of our Management. The company is, and will be, heavily dependent on the skill, acumen and services of our proposed new Chairman, Ronald Kelly and interim CEO Robert Cox. 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 have a material adverse effect on our business, prospects, financial condition and results of operations. 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 our Company reduced.

Possible Future Issuances of Common Stock Will Have a Dilutive Affect on Existing Shareholders

The Company is authorized to issue up to 1,250,000,000 Shares of common stock. As of February 24, 2005, there are 281,140,421 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 will be subject to the existing rules on penny stocks, the market liquidity for and value of our securities can be severely adversely affected.

We may not effectively manage the growth necessary to execute our business plan, which could adversely affect the quality of our operations and our costs.

In order to achieve the critical mass of business activity necessary to successfully execute our business plan, we must significantly increase the number of strategic partners and customers that use our technology. This growth will place significant strain on our personnel, systems and resources. We also expect that we will continue to hire employees, including technical, management-level employees, and sales staff for the foreseeable future. This growth will require us to improve management, technical, information and accounting systems, controls and procedures. We may not be able to maintain the quality of our operations, control our costs, continue complying with all applicable regulations and expand our internal management, technical information and accounting systems in order to support our desired growth. We cannot be sure that we will manage our growth effectively, and our failure to do so could cause us to reduce or cease operations.

Our common stock has been relatively thinly traded and we cannot predict the extent to which a trading market will develop.

Before this merger, 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.

Our common stock is considered a "penny stock" which makes it more difficult for investors to sell their shares due to suitability requirements.

The SEC has adopted regulations, which generally define penny stock to be an equity security that has a market price of less than $5.00 per share or an exercise price of less than $5.00 per share, subject to specific exemptions. Presently, the market price of our common stock is less than $5.00 per share. Therefore, the SEC "penny stock" rules govern the trading in our common stock. These rules require, among other things, that any broker engaging in a transaction in our securities provide its customers with the following:

- A risk disclosure document;
- Disclosure of market quotations, if any;
- Disclosure of the compensation of the broker and its salespersons in the transaction; and
- Monthly account statements showing the market values of our securities held in the customer's accounts.

The broker must provide the bid and offer quotations and compensation information before effecting the transaction. This information must be contained on the customer's confirmation. Moreover, broker/dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor.

Generally, brokers may be less willing to effect transactions in penny stocks. This may make it more difficult for investors to dispose of our common stock. This could cause our stock price to decline. In addition, the broker prepares the information provided to the broker's customer. Because we do not prepare the information, we cannot assure you that such information is accurate, complete or current.

The success of our products and services in generating revenue may be subject to the quality and completeness of the data that is generated into our interconnectivity systems, including the failure to input appropriate or accurate information.

Failure or unwillingness by the user to accommodate the required information may result in our not being paid for our services. As a developer of connectivity technology products, we will be required to anticipate and adapt to evolving industry standards and regulations and new technological developments. The market for our technology is characterized by continued and rapid technological advances in hardware and software development, requiring ongoing expenditures for research and development, and timely introduction of new products and enhancements to existing products.

Our future success, if any, will depend in part upon our ability to enhance existing products, to respond effectively to technology changes and changes in applicable regulations, and to introduce new products and technologies that are functional and meet the evolving needs of our clients and users.

We rely on a combination of internal development, strategic relationships, licensing and acquisitions to develop our products and services. The cost of developing new information services and technology solutions is inherently difficult to estimate. Our development of proposed products and services may take longer than originally expected, require more testing than originally anticipated and require the acquisition of additional personnel and other resources. In addition, there can be no assurance that the products or services we develop or license will be able to compete with the alternatives available to our customers.

New or newly integrated products and services will not become profitable unless they achieve sufficient levels of market acceptance.

There can be no assurance that our chosen marketplaces will accept from us new products and services, or products and services that result from integrating existing and/or acquired products and services, including the products and services we are developing to integrate our services. In addition, there can be no assurance that any pricing strategy that we implement for any such products and services will be economically viable or acceptable to the target markets. Failure to achieve broad penetration in target markets with respect to new or newly integrated products and services could have a material adverse effect on our business prospects.

The market for our connectivity products and services may be slow to develop due to the large number of practitioners who are resistant to change, as well as the financial investment and workflow interruptions associated with change, particularly in a period of rising pressure to reduce costs in the marketplace.

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, our business could suffer.

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.

Certain of our products are subject to compliance with HIPAA.

Failure to comply with HIPAA 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.

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. In addition, there can be no assurance those competitors, many of which have far greater resources than we do, will not apply for and obtain patents that will interfere with our ability to develop or market product ideas that we have originated. Furthermore, the laws of certain foreign countries do not provide the protection to intellectual property that is provided in the United States, and may limit our ability to market our products overseas. We cannot give any assurance that the scope of the rights we have are broad enough to fully protect our technology from infringement. Litigation or regulatory proceedings may be necessary to protect our intellectual property rights, such as the scope of our patent. Such litigation and regulatory proceedings are very expensive and could be a significant drain on our resources and divert resources from product development. There is no assurance that we will have the financial resources to defend our patent rights or other intellectual property from infringement or claims of invalidity.

ITEM 2. DESCRIPTION OF PROPERTY.

CareDecision s headquarters and facilities are located at 2660 Townsgate Road, Suite 300, Westlake Village, CA 91361. In addition the CEO of CareDecision, Robert Cox, at no cost to the corporation, is currently providing facilities in New York, which are available to the Company upon request and are used by Mr. Cox when he is not traveling. CareDecision s offices are housed in the space formerly occupied by Medicius, approximately 2300 sq. feet, located at 2660 Townsgate Road, Suite 300, Westlake Village, CA. In addition the company maintains offices in a 13,500 sq. foot facility for its Pharma Tech Solutions, Inc. operations at 15945 N. 76th St. Scottsdale AZ 85260. The Company shares this office with Futurecom Global, Inc., a company owned and controlled by Ronald Kelly, the former controlling shareholder of CareGeneration, Inc., which was recently acquired by the Company s subsidiary. Also, the Company rents a warehouse and prescription drug distribution facility in Carthage, IL. The Company s California offices are rented on a month-to-month basis at a cost to the Company of $3750.00 per month. The Company is making plans to consolidate its offices into new space in or around Westlake Village, CA. As of January 1, 2005 the facility in Scottsdale, AZ had 5 months remaining on its lease at $17,750.00 per month. The Company pays one half of this lease payment. The Company has entered into a one-year lease, expiring on December 31, 2005, at 96 S. Madison, Carthage, IL owing to its recent acquisitions of the prescription drug warehouse and distribution businesses. The rent on this facility is $3,750.00 and the lessor is a related party. We do not have any proposed programs for the renovation, improvement or development of our office space. We do plan to consolidate our offices and to relocate in the foreseeable future. If additional facilities are needed, management believes that suitable expansion space is available to meet our future needs at commercially reasonable terms.

ITEM 3. LEGAL PROCEEDINGS.

Neither the Company nor its subsidiaries are currently subject to any legal proceedings. The Company s recent acquisition target CareGeneration, Inc. (CareGen), is not subject to any legal proceedings.

Mr. Ronald Kelly, the former controlling shareholder of the acquisition target CareGen, is himself a party to two actions:

1. Ronald Kelly is a 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 demands 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 in dispute. An answer has

been filed on behalf of Mr. Kelly and the other defendants disputing the amounts claimed due and requesting dismissal of the suit. The parties continued the action indefinitely in January 2005. The parties are engaged in on-going settlement negotiations to resolve the matter. Mr. Kelly is unable to evaluate the likelihood of a favorable outcome.

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.

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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 the Company 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, the Company also agreed to advance certain monies to Fuzion's chosen agents for these services. The Company completed the introductions and advanced the funds called for under the agreement.

In December 2004 after several attempts to compel Fuzion to render the shares called for under the agreement, we were made aware that Fuzion was in fact holding merger discussions with Omni Medical Holdings Inc., a South Dakota based company. On March 1, 2005 we received notice that this merger had been completed. On March 8, 2005 we made claim for the shares called for under the agreement through written correspondence to both DataFuzion, Inc. and Omni Medical Holdings Inc. 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.

Throughout the latter months of 2004 the Company received several communications from persons and/or entities claiming to be involved in litigation with either Futurecom Global, Inc. or Kelly Co. World Group, Inc., companies owned or controlled by Ronald Kelly (Kelly Companies), a current member of the Company s Board of Directors. The total of these actions claimed against the Kelly Companies exceed $7 million. These claimants have placed no demands on the Company. If, in the course of our business with Mr. Kelly, should a new event or a new material fact concerning these actions come to our attention, we would then disclose such event or fact appropriately.

On April 6, 2005 the Company received a demand letter from Bruce J. Biagini, Esq. representing Ronald R. Kelly, a member of the Company s Board of Directors. Mr. Biagini s letter makes specific demands of the Company in regard to certain shares that Mr. Biagini claims are due Mr. Kelly as a result of the closing of the Company s February 25, 2005 acquisition of CareGeneration, Inc. (CareGen). Given the nature of the demands it is unclear from Mr. Biagini s letter whether he is also making the same claims on behalf of the former corporation CareGeneration, Inc. or its shareholders, or whether Mr. Biagini is aware that CareGen had shareholders in addition to Mr. Kelly. The Company disputes any assertion that it has not timely paid to Mr. Kelly certain of the shares he is claiming and has addressed each of Mr. Kelly s claims in a written response from the Company s counsel. However, given the ambiguities in Mr. Biagini s letter, the Company cannot determine any possible outcome at the present time.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

A. Market Information

Our common stock, par value $0.001 per share, is traded on the Over-the-Counter Bulletin Board (OTCBB) under the symbol CDED.

Our common stock began formal trading on the OTCBB February 8, 2002. The following table sets forth the high and low price for our common stock on the OTCBB.

	Low	High
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

Our OTCBB quotations reflect inter-dealer prices, without retail mark-ups, markdowns or commissions, and may not necessarily represent actual transactions.

B. Holders

As of December 31, 2004 there were 268 stockholders of record of our Common Stock.

C. Dividends

It is the Company 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. The Company does not contemplate or anticipate paying any cash dividends on the common stock in the foreseeable future.

ITEM 6. MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

FORWARD LOOKING STATEMENTS

The statements contained in this report that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements are made based upon management s current expectations and beliefs concerning future developments and their potential effects upon the Company. There can be no assurance that future developments affecting the Company will be those anticipated by management. Actual results may differ materially from those included in the forward-looking statements.

Readers are also directed to other risks and uncertainties discussed in other documents filed by the Company with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

General

CareDecision Corporation, a Nevada corporation (the Company) was formed in 2001 as ATR Search Corp. as a developmental stage company 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 2002, ATR Search Corp. merged with Medicius, Inc., a Nevada corporation, and also a developmental 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). After the merger the company changed its name to CareDecision Corporation. Upon completion of this merger Medicius, Inc. became a subsidiary of the company but through December 31, 2004, Medicius has remained quiet. Since the merger CareDecision pursued the following primary businesses:

(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 the company 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:

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. 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 CareDecision, Pharma Tech Solutions, Inc. and CareGeneration, Inc., that when accomplished would merge CareGeneration, Inc. into the Company 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. The merger closed on February 25, 2005. Pursuant to the agreements CareGeneration shareholders will receive 39,375,000 shares of the Subsidiary s common stock, equaling approximately 49% of the

outstanding shares of the Subsidiary, and 42,500,000 of the Company s common stock in exchange for all of the shares of the Target common stock and all of the Target preferred stock. In addition, the Company at closing will place in escrow 100,000,000 common stock shares, which may be paid to CareGeneration stockholders subject to earn-out.

Moving forward we plan to incorporate the products and services of the former CareGeneration, Inc. into our business model. The company is still working with the officers and directors of Futurecom Global, Inc. and has not as yet completed a merger or acquisition transaction contemplated in the Preliminary Agreement of August 16, 2004.

Upon the execution of the November 3, 2004 Definitive Agreement between CareGeneration, Inc. (CareGen) and the Company, Ronald Kelly, the controlling shareholder of CareGen, was required to take certain actions prior to the closing of the acquisition. The first of these actions, initiated on December 12, 2004, was to affect a series of requests with state and federal authorities to approve the transfer of the prescription drug distribution licenses registered in his name and entity. On December 24, 2004 the Company entered into a pre-acquisition agreement with CareGeneration, Inc. to manage its business until such time as the acquisition and licenses transfers were completed. This agreement also provided the Company with full and exclusive use of the drug distribution licenses during their transfer phase. On December 30, 2004 the Company entered into an agreement to lease the drug distribution facility and warehouse formerly managed by Ronald Kelly. Since January 1, 2005 all prescription drug distribution activities associated with the former business of CareGeneration, Inc. have been managed by the Company, which also employs the licensed staff.

We have included as an exhibit the audited financial statements of CareGeneration, Inc. from its inception in February 2004 through December 31, 2004.

On February 10, 2005, the Company and Pinnacle Investment Partners, LP (Pinnacle), entered into a Note Extension Agreement. The Company had previously issued to Pinnacle a $700,000 Secured (Convertible) Promissory Note bearing interest at the rate of 12% per annum, dated March 24, 2004 which provided for a maturity date of September 24, 2004, convertible into the Company s common stock subject to certain conditions. In a Note Extension Agreement dated September 24, 2004, the Parties amended the Note and the related Pledge and Security Agreement, and under the terms of that particular Note Extension Agreement the maturity date of the Note became March 24, 2005.

Subject to the terms of this new agreement; on March 24, 2005, Pinnacle agreed to pay to the Company $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 rises 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.

In addition to the above, the Company also agreed: (1) to deliver to Pinnacle s counsel an additional 83,000,000 shares of the Company s common stock as additional escrow security, (2) issue to Pinnacle s designee, CJR Capital, LLC, 4,000,000 shares of the Company s 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 the Company 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.

On February 7, 2005, the Company reached an agreement with three entities, Mercator Momentum Fund, LP, and Monarch Pointe Fund, Ltd. and Mercator Advisory Group, LLC (MAG). 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, the Company 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 per share which shall be convertible into shares of the Company s common stock with the conversion rate pegged at 80% of the market for the Company s common stock prior to any conversion, subject to certain conditions, and (b) One Hundred Million (100,000,000) warrants to acquire up to One Hundred Million (100,000,000) shares of the Company 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.

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) does not at any time exceed 9.99% of the Company s then outstanding common stock.

On February 11, 2005, the Company filed a Registration Statement on Form SB-2 with the Securities and Exchange Commission to register the common shares of the Company s common stock that underlie the Pinnacle agreement and the agreement with, Mercator Momentum Fund, LP, and Monarch Pointe Fund, Ltd. and Mercator Advisory Group, LLC.

The Company s fiscal year ends on December 31. The Company s principal executive office is located at 2660 Townsgate Road, Suite 300, Westlake Village, CA 91361. The Company s telephone number is (805) 446-1973. The common stock is quoted on the OTCBB under the trading symbol CDED, 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 the Company s shares.

Revenues. In fiscal 2004, we generated $182,112 in revenue compared to $75,813 revenue generated in 2003. As a development stage company, our efforts have been focused mainly on the development of our software products. While in the development stage our initial revenues will be primarily dependent upon our ability to cost effectively and efficiently develop our software systems, communication tools and suite of software applications. Our priorities for the next 12 months of operations are to continue to develop and market our products, to establish our business through the use of the Internet and though client referrals. Realization of increasing revenues for our software products during the next fiscal year is vital to our plan of operations. There are no guarantees that we will be able to compete successfully or that the competitive pressures we may face will not have a material adverse effect on our business, results of operations and financial condition. With our acquisition of CareGeneration, Inc. in February 2005, we have entered a new market which we anticipate additional revenue streams.

Expenses

Hardware costs. Hardware costs were $66,712 in fiscal 2004 compared with $0 in fiscal 2003. This represents 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. In 2004 the Company undertook a more detailed breakdown of our cost of goods model to better reflect the change in focus of our business model toward hotel/motel installations.

Network and infrastructure. Network and infrastructure costs were $172,915 in fiscal 2004 compared with $0 in fiscal 2003. This represents expenditures made as cost of goods for the wi-fi communication equipment and repeaters required for the wi-fi (local) networks sold at hotel customer locations, as well as the hardware and software required for (wide area) infrastructure. In 2004 the Company undertook a more detailed breakdown of our cost of goods model to better reflect the change in focus of our business model toward hotel/motel installations.

General and administrative expenses. General and administrative expenses were $396,078 in fiscal 2004 compared with $148,192 in fiscal 2003. General and Administrative expenses have remained fairly constant from 2003 to 2004.

Payroll expense. Payroll expense consists primarily of management and employee salaries. In fiscal 2004 payroll expense was $369,448 compared with $213,012 in fiscal 2003. 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.

Stock-based compensation for employee benefits. Our stock-based compensation for employee benefits was $738,600 in fiscal 2004 compared with $0 in fiscal 2003. In an effort to conserve our cash resources during fiscal 2004, we compensated our employees with Company stock and stock options in lieu of cash. We believe that by offering this benefit to our employees it will result in their continued employment with the Company.

Stock-based compensation for consulting and professional services. Our stock-based compensation for consulting services was $1,326,269 in fiscal 2004 compared with $1,627,976 in fiscal 2003. In an effort to conserve our cash resources during fiscal 2003 and fiscal 2004, we retained the services of six consultants, a corporate strategic planning firm and a merchant-banking firm who agreed to provide their professional services for Company stock and stock options in lieu of cash. We typically retain these consultants for a period of either 90 days or 180 days duration.

Stock-based compensation for software development. Our stock-based compensation for software development was $21,600 in fiscal 2004 compared with $0 in fiscal 2003. This represents the costs associated with the further development of our Residenceware software. In an effort to conserve our cash resources during fiscal 2004, we compensated some of the software development effort with Company stock in lieu of cash.

Software development. Software development costs were $119,640 in fiscal 2004 compared with $60,971 in fiscal 2003. This represents the cost in dollar terms associated with the further development of the software obtained through our merger with Medicius, Inc.

Impairment loss on operating assets. Impairment loss on operating assets was $415,078 in fiscal 2004 compared with $0 fiscal 2003. The Company determined during the year ending December 31, 2004 that we 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 our Statement of Operations for the year ended December 31, 2004.

Depreciation. Depreciation was $99,910 in fiscal 2004 compared with $132,587 in fiscal 2003. This represents depreciation on the assets of the Company.

Total expenses. We incurred total expenses for the year ended 2004 of $3,486,624 compared with $2,245,160 in fiscal 2003. Expenditures in 2004 were primarily due to costs incurred for stock-based compensation, payroll expense, general and administrative expenses and the impairment loss on our operating assets.

Net operating loss. The net operating loss incurred during fiscal 2004 was $3,304,512 compared with $2,169,347 in fiscal 2003. Net operating loss is the result of revenue minus total expenses. Our net operating loss increased by approximately 52% from 2003 to 2004 due to hardware, network and infrastructure costs and the stock-based compensation paid to our employees. Management believes that hardware, network and infrastructure expenditures to grow our product sales efforts are necessary to improve our revenue stream and to build upon our suite of software applications and the stock-based compensation paid to our employees will result in their continued employment. As a development stage company we believe it is essential to limit turnover during this critical period.

Loss on settlement. We incurred a loss on settlement for the year ended 2004 of $377,136 compared with $77,094 in fiscal 2003. The Company 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.

Interest income. We received interest income for the year ended 2004 of $3,527 compared with $561 in fiscal 2003. This is the income the Company earns on our cash and equivalents.

Merger expenses. We incurred merger expenses for the year ended 2004 of $304,750 compared with $0 in fiscal 2003. In 2004 the Company accrued $304,750 in acquisition related expenses associated with its acquisition of CareGeneration, Inc. That acquisition closed on February 25, 2005.

Financing costs. We incurred financing costs for the year ended 2004 of $481,700 compared with $0 in fiscal 2003. The Company incurred financing costs during the year ended December 31, 2004 totaling $481,700 based on the Black-Scholes Valuation Model. Approximately 84% of the financing costs for 2004, or $405,700, are associated with a certain Note Settlement Agreement.

Interest expense. We incurred interest expense for the year ended 2004 of $86,456 compared with $117,107 in fiscal 2003. Expenditures in 2004 were primarily due to interest costs accrued to the Note from M&E Equities, LLC. The Company restructured the M&E Note on March 4, 2004, which had the effect of lowering accrued interest expense for the fiscal year ended 2004.

Net Loss. We incurred a total net loss of $4,551,027 in fiscal 2004 compared with a total net loss of $2,362,987 in fiscal 2003. We anticipated incurring these losses during our initial commencement of operations until such time as we will realize increased revenues from our software systems, communication tools and suite of software applications in the fiscal year 2005.

Financial Condition and Liquidity

Since inception, we have funded operations primarily through notes issued and the net cash proceeds from private offerings of our common stock. At December 31, 2004, we had cash and cash equivalents of $422,486 and total stockholders (deficit) of $(330,228); however, we had positive working capital of $186,309. The Company has only recently begun to generate revenue and as such it would be expected that our funding requirements would grow as we hire additional staff. The Company expects that we will, from time to time, return to the capital markets seeking additional equity capital or debt to further our operations. The Company s products require us to advance cash for our network installations prior to the receipt of any cash flow from the network installations. Thus, there is a probability that cash generated from operations in future periods will lag expenses and should there be insufficient resources to satisfy our liquidity requirements, we may sell additional equity or debt securities, or through bank credit facilities. The issuance of additional equity or convertible debt securities could result in additional dilution to our shareholders.

Net cash used by operating activities during fiscal 2004 was $(917,184), which was primarily due to the net loss of $4,551,027 offset by total shares issued for stock-based compensation of $2,086,469. This compares to net cash used by operating activities during fiscal 2003 of $(466,276), which was primarily due to the net loss of $2,362,987 offset by shares issued for stock-based compensation for consulting services of $1,627,976.

Net cash provided by investing activities during fiscal 2004 and 2003 was $0. As cash flow allows the Company 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 in fiscal 2004 was $1,310,398 comprised of the issuance of a convertible note in the amount of $50,000, $51,084 in proceeds from notes payable to shareholders, a reduction of $116,175 as payments made on an outstanding note, $700,088 in proceeds from long-term debts and $625,400 received from the issuance of common stock. This compares to net cash provided by financing activities during fiscal 2003 of $384,448 comprised of $96,968 in proceeds from notes payable to shareholders, $2,180 from proceeds relating to a revolving line of credit, $50,000 in proceeds from long-term debts and $235,300 received from the issuance of common stock.

ITEM 7A. FINANCIAL STATEMENTS.

CAREDECISION CORPORATION

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Beckstead and Watts, LLP

Certified Public Accountants

2425 W Horizon Ridge Parkway

Henderson, NV 89052

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Report of Independent Registered Public Accounting Firm

Board of Directors

InstaCare, Inc.

(formerly CareDecision Corp.)

We have audited the accompanying restated balance sheet of InstaCare, Inc. (formerly CareDecision Corp.) (a development stage company) as of December 31, 2004, and the related statements of income, retained earnings, and cash flows for the year then ended. 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 the 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, revised as described in Note 1, present fairly, in all material respects, the financial position of InstaCare, Inc. (formerly CareDecision Corp.) (a development stage company) as of December 31, 2004, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Company s 2004 accumulated deficit and additional paid in capital previously reported as $10,106,441 and $9,629,835, respectively should have been $10,223,372 and

$9,629,835. This discovery was made subsequent to the issuance of the financial statements. The balance sheet has been restated to reflect this correction.

Beckstead and Watts, LLP

Henderson, Nevada

March 30, 2005, except for Note 1, as to which the date is July 15, 2005

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<u>Beckstead and Watts, LLP</u>

Certified Public Accountants

2425 W. Horizon Ridge Parkway

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702.257.1984

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Report of Independent Registered Public Accounting Firm

Board of Directors

InstaCare, Inc.

(formerly CareDecision Corp.)

We have audited the accompanying restated balance sheet of InstaCare, Inc. (formerly CareDecision Corp.) (a development stage company) as of December 31, 2003, and the related restated statements of income, retained earnings, and cash flows for the year then ended. 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 the 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, revised as described in Note 1, present fairly, in all material respects, the financial position of InstaCare, Inc. (formerly CareDecision Corp.) (a development stage company) as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Company s 2003 net loss previously reported as $2,168,808 should have been $2,362,987. This discovery was made subsequent to the issuance of the financial statements. The financial statements have been restated to reflect this correction.

Beckstead and Watts, LLP

Henderson, Nevada

March 29, 2004, except for Note 1, as to which the date is July 15, 2005

CareDecision Corporation

[formerly ATR Search 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	-
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	112,628	82,568
Note payable	-	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
Commitments and contingencies		
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 120,244,921shares 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)	77,887
	$ 914,440	$ 749,561

The accompanying notes are an integral part of these financial statements

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CareDecision Corporation

[formerly ATR Search Corporation]

(a Development Stage Company)

Consolidated Statements of Operations

	For the year ended December 31, 2004	2003 (RESTATED)	July 6, 2000 (inception) to December 31, 2004 (RESTATED)
Revenue	$182,112	$75,813	$259,925
Expenses:			
General & administrative expenses	396,078	148,192	676,835
Payroll expense	369,448	213,012	769,279
Professional fees	-	62,422	234,274
Stock-based compensation	2,086,469	1,627,976	5,245,055
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	2,245,160	8,928,709
Net operating (loss)	(3,304,512)	(2,169,347)	(8,668,784)
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)	-	(481,700)
Interest expense	(86,456)	(117,107)	(292,365)
Net (loss)	$(4,551,027)	$(2,362,987)	$(10,223,372)
Weighted average number of common shares outstanding - basic and fully diluted	205,914,365	94,259,147	
Net (loss) per share - basic and fully diluted	$(0.02)	$(0.03)	

The accompanying notes are an integral part of these financial statements

CareDecision Corporation

[formerly ATR Search Corporation]

(a Development Stage Company)

Consolidated Statement of Changes of Stockholders Equity

	Preferred Stock		Common Stock		Additional Paid-in	(Deficit) Accumulated During Development	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Stage	Equity
Shares issued for cash	6,000,000	$ 6,000	-	$ -	$ 8,695	$ -	$ 14,695
Net (loss), July 6, 2000 (inception) to December 31, 2000						(9,717)	(9,717)
Balance, December 31, 2000	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)	19,180,000	19,180	750,000	750	507,765	(383,851)	143,844

The accompanying notes are an integral part of these financial statements

CareDecision Corporation

[formerly ATR Search Corporation]

(a Development Stage Company)

Consolidated Statement of Changes of Stockholders Equity

	Preferred Stock		Common Stock		Additional	(Deficit) Accumulated During	Total
					Paid-in	Development	Stockholders'
	Shares	Amount	Shares	Amount	Capital	Stage	Equity
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 Medicius shares on 8/1/2002	1,725,000	1,725	(750,000)	(750)	(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
	6,327,737	6,328			310,059		316,387

Shares issued for consulting services on 10/8/2002				
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				