

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 10-QSB**

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2007

Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-27889

**THE AMACORE GROUP, INC.**

(Name of small business issuer in its charter)

Delaware

59-3206480

\_\_\_\_\_  
(State or Other Jurisdiction of  
Incorporation or Organization)

\_\_\_\_\_  
(I.R.S. Employer  
Identification No.)

1211 North Westshore Boulevard, Suite 512  
Tampa, Florida 33607

\_\_\_\_\_  
(Address of principal executive offices)

(813) 289-5552

\_\_\_\_\_  
(Issuer's Telephone Number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past twelve months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes  No

State the number of shares outstanding of each of the issuer's classes of common stock as of May 10, 2007:

**98,373,820 Class A Common Shares**

**22,962,802 Class B Common Shares**

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

**THE AMACORE GROUP, INC.**

**FORM 10-QSB**

**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL INFORMATION**

CONDENSED CONSOLIDATED BALANCE SHEETS - March 31, 2007 and December 31, 2006	3
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - For the Three Months Ended March 31, 2007 and 2006	4
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - For the Three Months Ended March 31, 2007 and 2006	5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	6

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS** 14**PART II OTHER INFORMATION**

ITEM 6. (a) EXHIBITS FILED:	19
(b) REPORTS ON FORM 8-K	19
SIGNATURES	19

**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements****THE AMACORE GROUP, INC.  
CONSOLIDATED BALANCE SHEETS**

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 4,852,084	\$ 135,046
Accounts receivable (net of \$0 and \$0 allowance for doubtful accounts in 2007 and 2006, respectively)	16,815	54,756
Prepaid expenses and deposits	<u>75,280</u>	<u>77,775</u>
Total current assets	4,944,179	267,577
Fixed assets (net of accumulated depreciation)		
Total assets	<u>\$ 4,963,291</u>	<u>\$ 288,690</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities		
Accounts payable	\$ 701,701	\$ 760,158

Loans and notes payable	5,161,950	1,916,950
Accrued expenses and payroll taxes	502,442	438,396
Deferred compensation - related party	886,541	970,753
Deferred revenue	7,299	6,022
Total current liabilities	<u>7,259,933</u>	<u>4,092,279</u>
Long Term Liabilities		
Convertible debenture	-	-
Deferred Revenue	32,599	33,473
Total long-term liabilities	<u>32,599</u>	<u>33,473</u>
Total liabilities	<u>7,292,532</u>	<u>4,125,751</u>

## Stockholders' Equity (Deficit)

Preferred Stock, \$.001 par value, 20,000,000 shares authorized;

Series A convertible preferred stock;

1,500 shares authorized; 155 shares issued and

outstanding respectively (aggregate liquidation value: \$155,000)

-

Series C, mandatory convertible stock, 86 shares authorized; 0 and 86

shares issued and outstanding, respectively. (aggregate liquidation value of \$0 and \$860,000, respectively)

-

Series D, mandatory convertible stock, 363.5 shares authorized; 363.5 and 138.5 shares issued and outstanding respectively. (aggregate liquidation value: \$3,635,000 and \$1,385,000, respectively)

-

Series E, mandatory convertible stock, 84 shares authorized, 84 and 84

shares issued and outstanding respectively. (aggregate liquidation: \$840,000 and \$840,000, respectively)

-

Common stock A (\$.001 par value; 860,000,000 shares authorized;

98,313,820 and 91,303,820 shares issued and outstanding, respectively.)

98,314

91,304

Common stock B (\$.001 par value; 120,000,000 shares authorized;

22,962,802 shares and 3,302,802 shares issued and outstanding, respectively.)

22,963

3,303

Additional paid-in capital

57,831,150

51,346,720

Accumulated deficit

(60,281,668)

(55,277,388)

Total stockholders' equity (deficit)

(2,329,241)

(3,837,061)

Total liabilities and stockholders' equity (deficit)

\$ 4,963,291

\$ 288,691

See notes to consolidated financial statements

3

**THE AMACORE GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For the Three Months Ended March 31,**

	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>		
Membership fees	\$ 159,867	\$ 66,916
Cost of Goods Sold	<u>66,100</u>	<u>-</u>
Gross Profit	<u>93,767</u>	<u>66,916</u>
<b>OPERATING EXPENSES</b>		

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Depreciation	2,001	1,860
Rent	20,698	32,478
Consulting expense	1,767,927	81,041
Payroll expense	2,937,025	300,347
Professional expense	73,954	32,402
Insurance expense	32,340	30,236
Travel and entertainment	111,314	28,854
Contract labor	22,731	13,000
Office expense	4,359	5,623
Telephone	6,771	8,978
Selling, general and administrative expenses	47,440	21,605
Total expenses	<u>5,026,560</u>	<u>556,423</u>
Operating loss from operations before other income and expense	<u>(4,932,793)</u>	<u>(489,507)</u>
<b>OTHER INCOME (EXPENSE)</b>		
Interest expense	(29,112)	(101,090)
Derivative instrument income (expense, net)	-	208,519
Total other income (expense)	<u>(29,112)</u>	<u>107,429</u>
Net loss	(4,961,905)	(382,078)
Preferred stock dividend and accretions	(41,375)	(196,106)
Net loss available to common stockholders	<u>\$ (5,003,280)</u>	<u>\$ (578,184)</u>
Basic and diluted loss per share	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>
Basic and diluted weighted average number of common shares outstanding	<u>95,289,598</u>	<u>49,788,467</u>

See notes to consolidated financial statements

**THE AMACORE GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Three Months Ended March 31,**

	<u>2007</u>	<u>2006</u>
Cash flow from operating activities		
Net loss	\$ (4,961,905)	\$ (382,078)
Adjustment to reconcile net loss to net cash provided by (used)in operating activities		
Amortization of discount on convertible debt	-	64,860
Issuances of shares and warrants for services and interest	4,359,500	-
Depreciation	2,001	1,860
Derivative instrument (income) expense, net	-	(208,519)
Costs of Raising Capital	(180,000)	-
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivables	13,323	16,878
(Increase) decrease in prepaid expenses	27,113	11,625

Increase (decrease) in accounts payable and accrued expenses	(35,781)	70,975
Increase (decrease) in deferred compensation	(84,216)	104,079
Increase (decrease) in deferred revenue	403	(1,170)
Net cash provided (used) by operating activities	(859,562)	(321,490)
Cash flow from investing activities		
Sale of property and equipment	-	50,000
Net cash provided (used) by investing activities	-	50,000
Cash flow from financing activities		
Proceeds from sale of preferred stock	750,000	-
Proceeds from short term borrowings loans and notes payable	4,815,000	277,000
Proceeds from exercise of warrants	31,600	-
Payments on and redemption of convertible notes	(20,000)	-
Net cash provided by financing activities	5,576,600	277,000
Increase (decrease) in cash	4,717,038	5,510
Beginning cash and cash equivalents	135,046	21,761
Ending cash and cash equivalents	\$ 4,852,084	\$ 27,271

See notes to consolidated financial statements

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - NATURE OF OPERATIONS

The Amacore Group, Inc. (The Amacore Group) markets vision care benefit plans and enhancements to plans provided by others. The Amacore Group's benefit plans and plan enhancements provide members and members of its plan sponsors (employers, associations and other organizations) the opportunity to obtain discounted services and products from The Amacore Group's national network of ophthalmic physicians, optometrists, eyewear suppliers, etc.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Principles of Consolidation

The consolidated financial statements as of and for the nine months ended March 31, 2007 and 2006 include the accounts of The Amacore Group, Inc. and its wholly-owned subsidiary LBI, Inc. Significant intercompany balances and transactions have been eliminated in consolidation.

#### Industry Segment

The activities of LBI Inc. are immaterial for the first three months of 2007 and 2006 and therefore are not reported as a segment since in management's opinion; they do not utilize the results of LBI Inc.'s operations in decision making relating to the allocation of resources and in the resulting assessment of their overall performance.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, The Amacore Group considers all highly liquid debt instruments purchased with a maturity of three

months or less to be cash equivalents.

### **Intangible assets**

Intangible assets consist primarily of intellectual property. Effective January 1, 2004 in accordance with SFAS 142. "Goodwill and Other Intangibles", intangible assets with an indefinite life, namely goodwill is not amortized. Intangible assets with a definite life are amortized on a straight-line basis with estimated useful lives of 3-20 years. Indefinite lived intangible assets will be tested for impairment yearly and will be tested for impairment between the annual tests should an event occur or should circumstances change that would indicate that the carrying amount may be impaired. The Amacore Group has selected July 1, as the annual date to test these assets for impairment. The unamortized balance of the intellectual property as of December 31, 2005 was approximately \$92,051. Based on the analysis of all relevant information at December 31, 2005, an impairment of approximately \$2.3 million was recorded in 2005. The asset was sold in March 2006 for \$50,000 and the return of 1.75 million shares of the Company's common stock previously issued in the acquisition of the asset.

### **Impairment of Assets**

In accordance with the provisions of Statement of Financial Accounting Standard No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, The Amacore Group's policy is to evaluate whether there has been a permanent impairment in the value of long-lived assets, certain identifiable intangibles and goodwill when certain events have taken place that indicate the remaining unamortized balance may not be recoverable. When factors indicate that the intangibles assets should be evaluated for possible impairment, The Amacore Group uses an estimate of related undiscounted cash flows. Factors considered in the valuation include current operating results, trends and anticipated undiscounted future cash flows. There were no impairment losses recorded during the first three months of 2007 and 2006, other than the PhotoScreener noted above.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Concentration of Credit Risk**

Concentrations of credit risk with respect to sales to customers existed for 2006 in that approximately 27% of total sales were to a single plan sponsor, up from 24% in 2005. In addition, sales to three customers in 2006 represented 77% of total sales. The concentration of sales to one sponsor to that extent creates a risk that if that customer is lost, revenues would be significantly affected. The Amacore Group continues to mitigate this risk by expanding its customer base, and expects to significantly reduce the impact of the three customers in 2007 by the addition of several other significant plan sponsors and programs offered by the Company. In 2007, The Company has contracted with a number of discount networks, including dental, hearing, chiropractic, counseling, nurse line, emergency informational line (Contact 911), and pharmacy. The Company is also in a position to market limited medical indemnity and accident group insurance programs, and has contracted with a number of distribution channels experienced with the networks forming the components of the Company's new product line. Gross sales from this new product line amounted to nearly \$82,000, which was generated during the month of March.

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### **Advertising Costs**

The Amacore Group charges advertising costs to expense as incurred. During three months ended March 31, 2007 and 2006, there was no advertising expense.

### **Intellectual Property**

In December 2004, The Amacore Group acquired 100% of the rights to a number of patents and technology known as the PhotoScreener (Screener). The PhotoScreener technology and related patents enable the owner to manufacture devices that can quickly scan individual eyes to discover medical abnormalities to be referred for treatment. The Screener can be used for preverbal infants as young as six months up to adults and has been effective in revealing early stage eye abnormalities that can be treated effectively. The Amacore Group purchased the technology for an initial payment of 937,500 shares of common A stock valued at approximately \$2,307,572. The remainder of the purchase price was contingent on proving its marketability with a final payment due by October 2005 in the amount of 1,562,500 shares. The Company had the right to not make the final payment when due, and as a result would forfeit all rights to the patent and technology. The Amacore Group had obtained an independent valuation of the technology in excess of the purchase price. The Company had determined that the useful life for purposes of amortization of the PhotoScreener patent (intellectual property) is 20 years. SFAS 142 provides the criteria to be considered in determining the useful life. Those criteria are: a) the expected use of the patent by the Company, b) the expected useful life of other assets which the useful life of the patent may

relate, c) any legal, regulatory or contractual provisions that may limit the useful life of the patent, d) any legal, regulatory or contractual provisions that enable renewal or extension of the PhotoScreener patent without substantial cost, e) effects of obsolescence, demand, competition and other economic factors, and f) the level of maintenance expenditures required to obtain expected future cash flows from the PhotoScreener. After reviewing the criteria the Company concluded that a) the useful life of the PhotoScreener patent is 20 years, b) there are no other assets with which the PhotoScreener patent relates, c) the Company has all legal rights to the PhotoScreener patent, d) the expected cost of renewing the patent is minimal - less than \$10,000, e) the patent and related technology are unique and the Company expected significant revenues from the use of the technology, and f) the patent does not require any maintenance to obtain the expected cash flows. In March 2006, the Company sold its rights to the patents and technology of the PhotoScreener, and thus reduced the value on the Company's books and records at December 31, 2005 by \$2,348,020 to the net realizable value of \$92,051. The asset was sold in March 2006 for \$50,000 and the return of 1.75 million shares of the Company's common stock previously issued in the acquisition of the asset.

### **Estimates**

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

### **Revenues and Commissions Recognition**

Revenues from memberships are recognized over the life of the memberships which generally are one year from the month after a member signs up for the program. However The Amacore Group also sells smaller amounts of two and three year memberships which are amortized over their respective periods. The Amacore Group recognizes income from the sale of memberships on a wholesale basis over the life of the contract (where applicable) or on a month to month basis as plan sponsors report usage of memberships.. The Amacore Group also receives a minor amount of commission on sale of products. The Amacore Group receives orders by telephone and uses a fulfillment center to complete the sale. Those revenues are recognized when the product is shipped and paid for by the customer. Revenues from commissions are immaterial in amount.

In March 2007, the Company began selling two new programs entitled SmartHealth Plus and SmartHealth Premier, which are comprised of a group of bundled products acquired through contracts with other vendors, as well as the Company's discount vision plan. We have reviewed the reporting requirements discussed in EITF 99-19 entitled "Reporting Revenue Gross as a Principal versus Net as an Agent", issued by the Financial Accounting Standards Board, and have determined that revenue from the sale of these two products should be reported on the gross basis.

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### **Property and Equipment**

Property and equipment are recorded at cost. Depreciation is calculated using the straight line method over the estimated useful lives of the assets, generally ranging from 5 to 7 years. Additions and major improvements to property and equipment are capitalized. Repair and maintenance expenditures are charged to expense as incurred. As property or equipment is sold or retired, the applicable cost and accumulated depreciation are eliminated from the accounts and any gain or loss is recorded.

### **Accounts Receivable**

Accounts receivable, net are stated at estimated net realizable value. Accounts receivable are mostly comprised of balances due from memberships, net of estimated allowances for uncollectible accounts. In determining collectibility, historical trends are evaluated and specific customer issues are reviewed to arrive at appropriate allowances. (See Note 4)

### **Convertible Instruments**

The Company reviews the terms of convertible debt and equity securities for indications requiring bifurcation, and separate accounting, for the embedded conversion feature. Generally, embedded conversion features where the ability to physical or net-share settle the conversion option is not within the control of the Company are bifurcated and accounted for as derivative financial instruments. (See Derivative Financial Instruments below). Bifurcation of the embedded derivative instrument requires allocation of the proceeds first to the fair value of the embedded derivative instrument with the residual allocated to the debt instrument. The resulting discount to the face value of debt instrument is amortized through periodic charges to interest expense using the Effective Interest Method. (See Note 8) The resulting discount to the redemption value of redeemable preferred securities is accreted through periodic charges to retained earnings over the term of the instrument using the Effective Method. (See Note 9). In June 2006 the Company redeemed the convertible debt that had been identified as derivative financial instruments.

**Derivative Financial Instruments**

The Company generally does not use derivative financial instruments to hedge exposures to cash-flow or market risks. However, certain other financial instruments, such as warrants to acquire common stock and the embedded conversion features of debt and preferred instruments that are indexed to the Company's common stock, are classified as liabilities when either (a) the holder possesses rights to net-cash settlement or (b) physical or net share settlement is not within the control of the Company. In such instances, net-cash settlement is assumed for financial accounting and reporting, even when the terms of the underlying contracts do not provide for net-cash settlement. Such financial instruments are initially recorded at fair value and subsequently adjusted to fair value at the close of each reporting period. Fair value for option-based derivative financial instruments is determined using the Black-Scholes Valuation Model. See Note 14.

**Income Taxes**

The Amacore Group has adopted SFAS 109. The Amacore Group has not made a provision for income tax purposes due to incurring losses since inception. There is no current tax expense, and after consideration of a valuation allowance, there is no deferred tax benefit. The cumulative net operating losses of approximately \$60.3 million can be carried forward to offset future taxable income. The net operating loss carry-forward begins expiring in 2012.

**Loss Per Common Share**

Basic loss per common share was computed using (a) as the numerator, net loss adjusted for preferred stock dividends and accretions and (b) as the denominator, the weighted average number of shares outstanding during the periods presented. Diluted loss per common share is considered to be the same as basic loss per common share since the effects of convertible securities and common stock options equivalents are anti-dilutive.

**NOTE 3 - INCOME TAXES**

For the three months ended March 31, 2007 and 2006, the temporary differences between book income and taxable income consisted of the deferred compensation. Computation of any deferred tax asset is computed by multiplying these temporary differences by the approximate applicable tax rate of 34 percent. The Amacore Group has had continued operating losses since inception and the prospect for utilization is remote therefore, no deferred tax liabilities or assets have been recorded.

Income taxes for the three months ended March 31, 2007 and 2006 differs from the amounts computed by applying the effective income tax rate of 34% to income before income taxes as a result of the following:

	2007	2006
Computed tax (benefit) expense at the statutory rate 34%	(1,702,000)	(205,700)
Change in deferred tax valuation	1,702,000	205,700
	<u>                    </u>	<u>                    </u>
Current income tax expense (benefit)	<u>                    </u>	<u>                    </u>

Temporary differences that give rise to deferred tax assets and liabilities:

	2007	2006
Deferred tax assets:		
Net operating loss carry forward	\$ 22,189,000	\$ 20,105,000
Less valuation allowance	(22,189,000)	(20,105,000)
Gross deferred tax asset	<u>                    </u>	<u>                    </u>
Gross deferred tax liability	<u>                    </u>	<u>                    </u>
Net deferred tax asset	<u>                    </u>	<u>                    </u>

As of March 31, 2007, realization of The Amacore Group's net deferred tax assets of approximately \$22,189,000 was not considered more likely than not, and accordingly, a valuation allowance of an equal amount was provided. The net change in the total valuation allowance during the quarter ended March 31, 2007 was \$1,702,000.

#### NOTE 4 - DUE TO STOCKHOLDERS/OFFICERS

As of March 31, 2007, due to stockholders/officers included deferred compensation of \$886,541.

#### NOTE 5 - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net of allowance for uncollectibles, was \$16,815 as of March 31, 2007.

#### NOTE 6 - PROPERTY AND EQUIPMENT, NET

As of March 31, 2007, property and equipment, net of accumulated depreciation of \$86,780, was \$19,112.

9

#### NOTE 7 - NOTES AND LOANS PAYABLE

Notes and loans payable consist of the following as of March 31, 2007 and December 31, 2006:

	March 31, 2007	December 31, 2006
Promissory notes payable to investors and shareholders; bearing interest ranging from 8% to 10% per annum; due through March 2007; currently in default.	\$ 512,500	\$ 512,500
Convertible promissory notes to investors and shareholders; bearing interest ranging from 8% to 10% per annum; due through March 2007; currently in default	662,000	692,000
Promissory notes payable to investors and shareholders; bearing interest ranging from 8% to 10% per annum; due through March 2008.	175,000	195,000
Convertible promissory notes to investors and shareholders; bearing interest ranging from 8% to 10% per annum; due through March 2007.	3,697,500	402,500
Promissory note payable to shareholders; bearing 1.53% interest per annum through June 2004, increasing to 15% thereafter; currently in default.	114,950	114,950
Total notes and loans payable	<u>\$ 5,161,950</u>	<u>\$ 1,916,950</u>

As of March 31, 2007, all notes and loans payable were classified as current maturities.

#### NOTE 8 - CONVERTIBLE DEBENTURES

There were no convertible debentures as of March 31, 2007 and December 31, 2006:

#### NOTE 9 - PREFERRED STOCK

##### Series C Mandatory Redeemable Preferred Stock:

In August 2004, the Company raised a total of \$602,000 from the sale of (a) 86 shares of Mandatory Convertible Series C, 6% Cumulative,

Preferred Stock, par value \$0.001 per share (the "Series C Preferred Stock") and (b) detachable warrants to acquire 400,000 shares of common stock at a strike price of \$2.40 per share over a term of five years (the "Warrants").

Each share of Series C Preferred Stock was to be converted at any time until July 30, 2006, when conversion became mandatory. At the time of conversion, each share would have been deemed to have a value of \$10,000 and convertible into Class A common stock at the lesser of \$2.88 per common share or 75% of the lowest closing bid price during the five days immediately prior to the conversion. As part of the agreements with these two entities, the Company agreed to register shares which were issuable upon the conversion of the Warrants and the Series C Convertible Preferred Stock. In addition, for each share of Series C Convertible Preferred Stock purchased by them, they had the right to purchase up to 1% of the issuances of equity securities issued under subsequent funding transactions.

The embedded conversion feature on the Series C Preferred Stock and the Warrants were required to be carried separately as derivative liabilities because physical or net-share settlement under these contracts is not within the control of the Company. Further, since proceeds from the sale of Series C Preferred Stock and Warrants were less than the fair values of the embedded conversion feature of the Series C Preferred Stock (\$1,071,782) and the Warrants (\$976,000), the amount received was allocated to the embedded conversion feature, immediately followed by charges to derivative instrument expense in the amounts of \$469,782 and \$976,000 to increase the derivative instruments to fair value.

As a result of the aforementioned allocation, the Series C Preferred Stock had no initial carrying value, but it was to be accreted to its redemption value of \$860,000 through periodic charges to retained earnings over the period through the redemption date. Accretions on the Series C Preferred Stock amounted to \$0 and \$196,106 during the three months ended March 31, 2007 and 2006, respectively.

In July 2006, pursuant to a Preferred Stock Purchase and Exchange Agreement with VICIS Capital Master Fund ("Vicis"), The Amacore Group, Inc. (the "Company") exchanged 86 shares of its Series C Mandatory Convertible Preferred Stock held by Vicis and having a maturity date of July 30, 2006, for 86 shares of a newly-created 6% Series D Convertible Preferred Stock, convertible into Class A Common Stock of the Company at a price of \$.01 per share and having a maturity date of July 15, 2011. In addition, Vicis purchased for approximately \$840,000, 84 shares of a newly-created 6% Series E Convertible Preferred Stock, convertible into Class A Common Stock of the Company at a price of \$.02 per share and having a maturity date of July 15, 2011. Both of the Preferred Stock Series may be converted into the Company's Class A common stock at their respective convertible prices at any time after July 11, 2008.

The Company will have the right to redeem the Series E Preferred Stock at any time, provided (a) the closing trading price of the Class A Common Stock exceeds \$.50 per share (as quoted on the principal exchange, including for this purpose, the Nasdaq National Market on which it is then listed, or if it is not so listed, the closing bid price per share for such stock, as reported by Nasdaq, the OTC Bulletin Board, the National Quotation Bureau, Incorporated or other similar service which regularly reports closing bid quotations for such stock) for 15 trading days during any 20-trading day period; and (b) there is at the time of the call for redemption by the Corporation, and has been for the period specified in (a) above preceding such call, an effective registration statement covering the resale of the shares of Class A Common Stock underlying the Series E Preferred Stock

In January 2007, the Company raised \$750,000 by issuing 75 shares of Series D Mandatory convertible preferred stock to Vicis Capital Master Fund; another \$1,500,000 by issuing an additional 150 shares of the same series stock to Vicis Capital Master Fund, and on March 30, raised \$3.3 million through the issuance of a mandatory convertible promissory note to Vicis Capital Master Fund, which, along with accrued interest of 4%, was converted into 331.1 shares of the same series stock on May 1, 2007. The Company has the right to redeem 90% of the 331.1 shares during the period ending December 1, 2007.

#### **NOTE 10 - COMMON STOCK**

In January 2007, The Amacore Group received approval from its shareholders, to increase its authorized shares from six hundred forty million shares to one billion shares. The authorized shares for Class A common stock was increased from five hundred million shares to eight hundred sixty million; its Class B common stock remained at one hundred twenty million shares and its preferred shares remained at twenty million shares.

The Company's authorized shares of common stock consist of two classes; 860,000,000 authorized Class A, and 120,000,000 authorized Class B. On all matters required by law to be submitted to a vote of the holders of common stock, each share of Class A common stock is entitled to one vote per share, and each share of Class B common stock is entitled to five votes per share.

#### **NOTE 11 - WARRANTS**

During the three months ended March 31, 2007 and 2006, The Amacore Group issued warrants to purchase 10,525,000 and 1,400,000 shares of Class A common stock, respectively. At March 31, 2007 there were 17,511,000 warrants to purchase common stock outstanding, exercisable at varying prices through 2012.

## NOTE 12 - EARNINGS (LOSS) PER SHARE

Earnings (loss) per share are computed using the basic and diluted calculations on the face of the statement of operations. Basic earnings (loss) per share are calculated by dividing net income (loss) available to common shareholders by the weighted average number of shares of common stock outstanding for the period. Diluted earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of shares of common stock outstanding for the period, adjusted for the dilutive effect of common stock equivalents, using the treasury stock method. Convertible debt and warrants, officer, employee and non-employee stock options that are considered potentially dilutive are included in the fully diluted shares calculation.

11

The following sets for the computation of basic and diluted net earnings (loss) per common share for the three months ended March 31, 2007 and 2006:

	2007	2006
Numerator:		
Net income (loss)	\$ (4,961,905)	\$ (382,078)
Less preferred stock dividend and accretions	(41,375)	(196,106)
Net loss applicable to common stockholders	<u>(5,003,280)</u>	<u>\$ (578,184)</u>
Denominator:		
Weighted average basic share outstanding	95,289,598	49,788,467
Stock options		
Warrants		
Convertible note		
Weighted average fully diluted shares outstanding	<u>95,289,598</u>	<u>49,788,467</u>
Net earnings per common share - basic and diluted	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>

During the period presented, common stock equivalents were not considered as their effect would be anti-dilutive.

## NOTE 13—FINANCIAL INSTRUMENTS

### Fair Value of Financial Instruments (other than Derivative Financial Instruments)

The carrying amount of cash, accounts receivable, accounts payable and accrued expenses approximates fair value because of their short maturity. The carrying amounts of loans and notes payable approximates fair value based on interest rates that approximate market interest rates for these instruments.

The fair value of the 7% Convertible Debentures amount to approximately \$0 and \$0, respectively, as of March 31, 2007 and December 31, 2006 (See Note 8—Convertible Debentures). Fair values for the convertible debentures were calculated at net present value using the Company's weighted average borrowing rate of 12.4% for debt instruments without conversion features applied to total future cash flows of the instruments.

### Derivative Financial Instruments

The caption derivative financial instruments consists of (a) the embedded conversion feature bifurcated from the 7% Convertible Debentures, (b) the embedded conversion feature bifurcated from the Series C Preferred Stock, (c) the Warrants issued in connection with the Series C Preferred Stock, and (d) Other Warrants. (Also See Note 8—Convertible Debentures and Note 9—Redeemable Preferred Stock). These derivative financial

instruments are indexed to an aggregate of 0 and 18,483,214 shares at December 31, 2005 and were carried at fair value. In June 2006, the Company redeemed the convertible notes that had been determined to be derivative financial instruments, which resulted in the recording of a Gain on Extinguishment of Debt of \$493,695.

#### **NOTE 14 - LITIGATION AND CONTINGENCIES**

At March 31, 2007, The Amacore Group was involved in various lawsuits, claims or disputes arising in the normal course of business. The settlement of such claims cannot be determined at this time. Management does not believe the ultimate outcome of these matters will be significant to its results of operations or cash flows.

12

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#### **NOTE 15 - GOING CONCERN**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates continuation of The Amacore Group as a going concern. However, The Amacore Group has sustained operating losses in recent years. Further for the three months ended March 31, 2007, The Amacore Group had negative working capital of approximately \$2,315,214, a net loss of \$5,003,280 and has incurred substantial losses in previous years resulting in an accumulated deficit of approximately \$60,281,668. Although these factors raise substantial doubt about the ability of The Amacore Group to continue as a going concern The Amacore Group has taken several actions to ensure that The Amacore Group will continue as a going concern through March 31, 2008. The Company has obtained additional financing in the first quarter of 2007 totaling \$4.8 million.

#### **NOTE 16 - SUBSEQUENT EVENTS**

On March 30, 2007, the Company received a loan from Vicis Capital Master Fund in the amount of \$3.3 million, which accrues interest at the rate of 4% compounded monthly. On May 1, 2007, the loan and accrued interest was converted into 331.1 shares of the Company's Series D preferred stock. The Company may redeem up to ninety percent of these specific preferred shares through December 1, 2007.

13

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

### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This report contains forward-looking statements that involve risks and uncertainties. We generally use words such as "believe," "may," "could," "will," "intend," "expect," "anticipate," "plan," and similar expressions to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons, including the risks described below in our "Risk Factor" section, elsewhere in this report and in our SEC filings from time to time. Although we believe the expectations reflected in the forward-looking statements are reasonable, they relate only to events as of the date on which the statements are made, and our future results, levels of activity, performance or achievements may not meet these expectations. We do not intend to update any of the forward-looking statements after the date of this document to conform these statements to actual results or to changes in our expectations, except as required by law.

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto, and other financial information included elsewhere in this Form 10-KSB. This report contains forward-looking statements that involve risks and uncertainties. Actual results in future periods may differ materially from those expressed or implied in such forward-looking statements as a result of a number of factors, including, but not limited to, the risks discussed under the heading "Risk Factors" and elsewhere in this Form 10-KSB.

### **Introductory Overview**

We market memberships in a comprehensive, national, non-insurance based, quality discount eye care and eyewear plan. The memberships entitle plan participants to obtain eye care services and products from our network of providers at rates which range from 20% to 60% below retail. In late 2004, we acquired LBI Brokerage, a managing general agency for group health and life insurance products. A managing general agency is an agency appointed by an insurance company for the express purpose of distributing its products to its downline general agents, and in turn,

marketing its product line to its downline agents and producers.

In December 2004, we acquired the technology and patent rights related to the PhotoScreener™, a camera embodying technology designed to detect various disorders of the eye in young and even preverbal children. The PhotoScreener technology has been approved by the FDA. We sold the PhotoScreener in 2006 and retained certain future royalty rights for future sales of the PhotoScreener and image interpretation fees.

Substantially all of our revenues are derived from:

- membership fees paid to us by wholesalers, which are other health care companies that include our vision program with their various programs;
- individual subscribers; and
- sponsoring organizations that offer or purchase our vision care program for their employees/members.

### **Developments in 2007**

In January 2007, we entered into long-term employment agreements with Mr. Jay Shafer, the former president of Protective Marketing Enterprises, Inc., a subsidiary of Protective Life Corporation, and Mr. Guy Norberg, the former Vice President of Sales and Marketing of Protective Marketing. We also entered into an agreement employing Mr. William Heneghan, former Director of Operations for Protective Marketing. As of January 2007, Mr. Shafer serves as our President, Mr. Norberg serves as our Senior Vice President of Sales and Marketing and Mr. William Heneghan serves as our Director of Operations. Along with the hiring of Messrs. Shafer, Norberg and Heneghan, we hired additional executive and support staff and opened a second office near Orlando, Florida.

During the first quarter of 2007, we concentrated our efforts on developing a wide range of both discount and insured products, which we intend to market through a significant number of distribution channels with whom Messrs. Shafer and Norberg had worked in the past. We successfully contracted with a number of other discount networks and we believe we have positioned ourselves to provide not only vision programs but discount dental programs, hearing programs, chiropractic programs, counseling programs, a nurse line program, an emergency informational system called Contact 911 and pharmacy programs. All of the networks with whom we have now contracted had previously successful business relationships with Messrs. Shafer and Norberg.

We intend to leverage these relationships to broaden our mail-order contact lens department and enter into a formal relationship with a nationally recognized supplier of mail-order contact lenses that has agreed to a wide range of marketing/information support for our Company and our members.

In early 2007 we developed two new discount health products, Smarthealth Plus and Smarthealth Premier that will expand our discount health offerings beyond optometric care. Smarthealth Plus and Smarthealth Premier are discount programs that provide members with savings of 5% to 50% on doctor visits, a hospital savings program, long-term care discounts, savings on alternative medicine, vitamins and nutritional supplements. Program members also have access to a 24-hour nurse hotline, 24-hour counseling and the services of a personal patient advocate. For travelers, the program offers worldwide assistance in over 200 countries and territories and a Global Med-Net ID that can get medical histories to medical service providers around the world. On March 9, 2007, we entered into a sales agreement with Service Health Plans to offer our new programs directly to the public. With the addition of these new programs, we have changed the nature of our Company from just a provider of vision care to a provider of an entire array of medical services.

We have also entered into marketing and customer service agreements with TruPoint Marketing and the American Advantage Association. We believe these contracts position us to enroll existing and prospective members into limited medical indemnity and accident group insurance programs underwritten by insurance companies through licensed insurance brokers.

Furthermore, we have contracted with a number of distribution channels experienced not only in the sale of the types of products we designed, but with the networks forming the components of our new product line. During the first quarter of 2007, we entered into distribution agreements with, among others, Selective Health Plan, LLC and LA Marketing Plans, both companies being well experienced in the consumer direct response sales industry. We also contracted with Chase Paymentech Solutions, LLC, who we believe is one of the world's largest merchant acquirers accepting payments at the point of sale, hospitality, internet, retail, catalogue and recurring billing. We launched this aspect of our distribution endeavors in March 2007, with the purpose, among other things, of testing the various electronic systems we employ in connection with our direct response sales. During the test period, we successfully streamlined this aspect of our operation and we will be launching, through the above-named distribution channels, a significant number of additional direct response sales rooms during the second quarter of 2007. Significantly, during the test period for the month of March 2007, we generated gross revenues equaling nearly one-third of our total gross revenues for 2006.

Of equal significance is that we substantially completed the development of various electronic systems designed to not only track our sales and revenues, but to facilitate the weekly payment of sales commissions to our sales agents - a payment program which we believe will significantly enhance our relationship with our various sales organizations.

The next distribution channel we plan to launch will be our direct sales operation through healthcare sales agents. We will launch this aspect of our sales efforts in the second quarter of 2007. This launch will be accomplished primarily through the efforts of Messrs. Shafer and Norberg with their long-standing broker relationships in the healthcare industry. Although this channel has not been officially launched, we have already successfully sold one or more of our programs to accounts of one or more of these agents. For example, one such agent has already contracted us for the sale of our healthcare program to FJC Security Services for the remaining two-year period of a previously existing three year contract (with another entity) for a total remaining gross sale price of \$1,639,934 payable in monthly installments. This program was launched in early April 2007.

Another distribution channel is the employer group channel serviced by large group sales agents. As with the program described above, this program is scheduled for launch in the second quarter of 2007.

In addition to all of the above, we have embarked upon a program to acquire certain of our distribution channel business associates who have expressed an intent to become part of our Company. While there can be no assurances that all, or any of our acquisition efforts will prove successful, we have reason to believe that we will, during the second quarter of 2007, acquire one or more of our distribution channels.

We believe that all of the above now places us in the forefront in terms of our ability to provide consumers with a wide range of affordable healthcare products and the ability to successfully distribute those products through a significant number of distribution channels.

Our vision plan and, in particular, a form of our free eye exam voucher, which contains a requirement that the recipient activate the voucher by way of inbound telephone and/or electronic communication, remains a significant aspect of all of the above programs in that the free eye exam voucher is positioned to be distributed as a give-away product with sales of all of our other products. We believe that the activation aspect of the voucher will serve as a significant lead generator for additional sales including sales of our discount vision program.

## RESULTS OF OPERATIONS

### Revenue:

For the three months ended March 31, 2007, our gross revenue was \$159,867, an increase of \$92,951 compared to the gross revenue recorded for the same period of 2006 of \$66,916. Approximately \$82,000 of this increase resulted from sales of our new programs in March. In addition, sales to two of our existing wholesale customers increased about \$32,000. Cost of Goods Sold includes commissions paid on these revenues.

### Selling, General and Administrative Expenses:

Our Selling, General and Administrative expenses for the three months ended March 31, 2007 were \$5,026,560. This was an increase of \$4,470,137 over \$556,423 for the same period of 2006. Comparison of the more significant components of Selling, General and Administrative expenses follows:

	Three Months Ended March 31,		
	2007	2006	Increase (Decrease)
Depreciation	\$ 2,001	\$ 1,860	\$ 141
Payroll and Related Expenses	2,937,025	300,347	2,636,678
Business Travel/Trade Shows	111,314	28,854	82,460
Insurance	32,340	30,236	2,104
Professional/Consulting Fees	1,841,881	113,443	1,728,438

Rent	20,698	32,478	(11,780)
All Other Selling, General and Administrative expenses	<u>81,301</u>	<u>49,205</u>	<u>32,096</u>
Total	<u>\$ 5,026,560</u>	<u>\$ 556,423</u>	<u>\$ 4,470,137</u>

Depreciation expense, which is computed on a straight-line method over the assets estimated lives, was nearly the same as the prior year because we have made no major fixed asset purchases.

Salaries and related expenses for the three months ended March 31, 2007, of \$2,937,025 increased \$2,636,678 over the same period of 2006 because of the fair market value of shares/warrants, totaling \$2.7 million, issued to the officers and directors of the Company.

Business travel/trade show expenses for the first three months of 2007 of \$111,314 were about \$82,000 more than the \$28,854 for the same period in 2006. The increase resulted mainly because of additional travel required in negotiating contracts for the Company's new programs, promoting additional sales, and completing the financings that occurred during the first quarter of 2007. During the first quarter of 2006, the Company also had significantly reduced its travel.

Insurance expense of \$32,340 for the three months ended March 31, 2007, was \$2,104 more than the same period of 2006 of \$30,236 because more employees were covered by the medical plan and because of a lower premium obtained for directors and officers liability insurance.

Professional/consulting fees for the three months ended March 31, 2007 were \$1,841,881, an increase of \$1,728,438 over \$113,443 during the same period in 2006. The increase was the result of the fair market value of shares and warrants, totaling \$1.7 million, was charged to expense during the first quarter of 2007.

Rent expense of \$20,698 was \$11,780 less than the same period in 2006 because the Company relocated its corporate offices in June 2006 and negotiated a lower per square foot rate for the new facilities.

Other expenses for the three months ended March 31, 2007, of \$81,301 increased by \$32,096 over the \$49,205 for the three months ended March 31, 2006 because of fees paid to our new public relations firm.

#### **Interest Expense:**

Interest expense for the three months ended March 31, 2007 was \$29,112, a decrease of \$71,978 compared to \$101,090 at March 31, 2006. Interest expense for the first three months of 2006 includes a number of components including (a) interest on our notes payable, (b) amortization of the discount on our convertible debentures, using the effective method, (c) liquidating damages on our convertible debentures for not obtaining an effective registration statement related to securities into which the debentures are convertible and (d) losses on the conversion of convertible debentures.

Interest expense on our notes payable for the three months ended March 31, 2007 was \$29,112, was nearly the same as the \$30,685 for the same period in 2006.

Amortization of the discounts on our convertible debentures for the three months ended March 31, 2007 was \$0 compared to \$44,188 for the same period in 2006. Applying the effective interest method to the amortization of debt discounts results in increasing charges to interest expense as such discounts are amortized. Accordingly, our interest expense arising from amortization of discounts will increase through the maturity dates of the debentures, unless they are converted.

Liquidating damages for the three months ended March 31, 2007 amounted to \$0 compared to \$5,550 for the same period in 2006. Liquidating damages accrued at 2% of the face value of the convertible debentures each month until an effective registration statement for the underlying securities would have been obtained.

The loss on the conversion of convertible debentures during the three months ended March 31, 2007 amounted to \$0 compared to \$26,222 for the first quarter of 2006.

Since these instruments were redeemed in June 2006, no expenses discussed in the first paragraph of this section, other than the typical interest

charge for our notes payable, occurred in the first quarter of 2007.

**Derivative instrument income (expense), net:**

Derivative instrument income (expense), net for the three months ended March 31, 2007 amounted to \$0 compared to \$208,519 for the quarter ended March 31, 2006. Derivative instrument income arises from fair value adjustments for certain financial instruments, such as warrants to acquire common stock and the embedded conversion features of debt and preferred instruments that are indexed to the Company's common stock, and are classified as liabilities when either (a) the holder possesses rights to net-cash settlement or (b) physical or net share settlement is not within the control of the Company. In such instances, net-cash settlement is assumed for financial accounting and reporting, even when the terms of the underlying contracts do not provide for net-cash settlement. Such derivative financial instruments are initially recorded at fair value and subsequently adjusted to fair value through charges or credits to income at the close of each reporting period.

Fair value for our option-based derivative financial instruments is determined using the Black-Scholes Valuation Model. The Black-Scholes Model requires the development of highly-subjective assumptions, such as the expected term of exercise and volatility. Changes to these assumptions may arise from both internal (e.g. contract renegotiation) and external factors (e.g. changes in the trading market value of our common stock); such changes could have resulted in material changes to the fair values of our derivative financial instruments.

The debentures that were determined to be derivative financial instruments were redeemed in June 2006, and therefore no income/(expense) was recorded after the redemption.

**Extraordinary Loss:**

In March 2006, we sold our rights to the patents and technology of the PhotoScreener for \$50,000 and the return of 1.75 million shares of the Company's common stock previously issued in the acquisition of the asset.

**Net loss:**

Our net loss amounted to \$5,003,280 for the three months ended March 31, 2007 compared to \$578,184 for the three months ended March 31, 2006. The significant decline in our net loss is more fully discussed above in the details of changes in our account balances.

**Preferred stock dividends and accretions:**

Preferred stock dividends and accretions amounted to \$41,375 for the three months ended March 31, 2007 compared to \$196,106 for the same period in 2006. The decrease was due to the elimination in June 2006 of the instruments that had been identified as derivative financial instruments.

**Loss per common share:**

Loss per common share amounted to \$0.05 for the three months ended March 31, 2007 compared to \$0.01 for the three months ended March 31, 2006. Loss per common share is calculated by dividing loss applicable to common stockholders by the weighted average number of common shares outstanding. Loss per common share does not give effect to warrants to acquire common stock and convertible securities because, while in a loss position, the effects would be anti-dilutive.

**Loans to Stockholders and Officers:**

As of March 31, 2007, there were no loans or advances to officers.

**Sale of PhotoScreener:**

In March 2006, we sold our rights to the patents and technology of it PhotoScreener. In March 2006 the asset was sold for \$50,000 and the return of 1.75 million shares of our common stock previously issued in the acquisition of the asset.

**CONTRACTUAL OBLIGATIONS**

Lease Commitments: See Note 15 Commitments and Contingency in our annual financial statements for information about non-cancelable commitments under our lease agreements.

## OFF BALANCE SHEET ARRANGEMENTS

We do not have any off balance sheet arrangements as of March 31, 2007.

## SUBSEQUENT EVENTS

On March 30, 2007, the Company received a loan from Vicis Capital Master Fund in the amount of \$3.3 million, which accrues interest at the rate of 4% compounded monthly. On May 1, 2007, the loan and accrued interest was converted into 331.1 shares of the Company's Series D preferred stock. The Company may redeem up to ninety percent of these specific preferred shares through December 1, 2007.

## LIQUIDITY AND CAPITAL RESOURCES

The following table compares our cash flows for the three months ended March 31:

	<u>2007</u>	<u>2006</u>
Net cash used by operating activities	\$ (859,562)	\$ (321,490)
Net cash used by investing activities	-	50,000
Net cash provided by financing activities	<u>5,576,600</u>	<u>277,000</u>
Net increase (decrease) in cash	<u>\$ 4,717,038</u>	<u>\$ 5,510</u>

We funded our operations primarily through the issuance of notes payable, amounting to \$3,315,000, and the sale of preferred stock amounting to \$2,250,000 during the first three months of 2007.

During the first quarter of 2007, we issued 8,010,000 shares of Class A common stock and cancelled 1 million shares due to the lack of consideration. A total of 3 million shares were issued to new officers of the Company; 960,000 shares were issued upon conversion of notes payable, 3,210,000 shares were issued due to warrants being exercised, and 840,000 shares were issued in exchange of Class B common stock.

## PART II:

### OTHER INFORMATION

#### Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits Filed:
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  - 31.2 Certification of the Acting Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  - 32 Certification of the Chief Executive Officer and the Acting Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (b) Reports on Form 8-K:
- Current Report on Form 8-K dated January 15, 2007, for the purpose of reporting the Company's hiring of a new President and a new Senior Vice President of Sales and Marketing.

Current Report on Form 8-K dated January 31, 2007 for the purpose of reporting the completion of the sale of 75 shares of Series D Preferred Stock. Company's

## SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE AMACORE GROUP, INC.

Date: May 16, 2007

By: */s/ Clark A. Marcus*

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Clark A. Marcus  
Chief Executive Officer

19

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## EXHIBIT INDEX

- 31.1 Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of the Acting Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32 Certification of the Chief Executive Officer and the Acting Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

20