

EAUTOCLAIMS, INC
Form 10KSB/A
November 13, 2007
[Table of Contents](#)

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment Number 1

FORM 10-KSB /A

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended July 31, 2007

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-23903

eAUTOCLAIMS, INC.

(Exact name of registrant as specified in charter)

Nevada

(State or other jurisdiction
of incorporation or organization)

95-4583945

(IRS Employer
Identification No.)

110 E. Douglas Road, Oldsmar, Florida
(Address of principal executive offices)

34677
(Zip Code)

Registrant's telephone number, including area code: (813) 749-1020

Securities registered pursuant to Section 12(b) of the Exchange Act: None
Securities registered pursuant to Section 12(g) of the Exchange Act: Common Stock, par value \$.001

Check whether the issuer is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
Yes No

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Issuer's revenues for the most recent fiscal year: \$11,790,993

Aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity as of September 30, 2007: \$6,746,151

The number of shares outstanding of the Issuer's Common Stock, \$.001 par value, as of September 30, 2007 was 93,736,071.

DOCUMENTS INCORPORATED BY REFERENCE

None

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

Explanatory Note:

This report on Form 10-KSB/A amends the Annual Report on Form 10-KSB for eAutoclaims, Inc. for fiscal year ended July 31, 2007 as filed with the Securities and Exchange Commission (SEC) on November 8, 2007.

The signature page has been updated to eliminate the conforming signature of Mr. Seidel. All other information remains unchanged and reflects disclosures made as of our original filing of our Annual Report on Form 10-KSB for the fiscal year ended July 31, 2007, as filed with the SEC on November 8, 2007.

FORM 10KSB Index

	<u>Page</u>
<u>PART I</u>	
Item 1. <u>Description of Business</u>	3
Item 2. <u>Description of Property</u>	16
Item 3. <u>Legal Proceedings</u>	17
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	17

PART II

Item 5.	<u>Market for Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities</u>	18
Item 6	<u>Management's Discussion and Analysis or Plan of Operation</u>	19
Item 7.	<u>Financial Statements</u>	26
Item 8.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	26
Item 8A	<u>Controls and Procedures</u>	27
Item 8B	<u>Other Information</u>	27

PART III

Item 9	<u>Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance With Section 16(a) of the Exchange Act</u>	28
Item 10.	<u>Executive Compensation</u>	30
Item 11.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	35
Item 12.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	37
Item 13.	<u>Exhibits</u>	37
Item 14.	<u>Principal Accountant Fees and Services</u>	40

PART IV

	<u>Signatures</u>	41
	Certifications	

2

Table of Contents

This Annual Report on Form 10-KSB and the documents incorporated herein by reference contain forward-looking statements that have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current expectations, estimates and projections about our industry, management's beliefs, and assumptions made by management. Words such as anticipates, expects, intends, plans, believes, seeks, estimates, variations of such words and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual results and outcomes may differ materially from what is expressed or forecasted in any such forward-looking statements.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

General

eAutoclaims is a Nevada corporation, formed in 1999, which provides Internet based vehicle collision claims services for insurance companies, managing general agents (MGA) and third party claims administrators (TPA) and self-insured automobile fleet management companies. We accept assignment of claims from our customers, and provide vehicle repairs through a network of repair shops. We also provide online systems to connect clients with service providers of estimates, audits and claims administration services for claims for which we do not perform the repair.

Our business strategy is to use the Internet and our network of approximately 2,500 body shops to streamline and lower the overall costs of automobile repairs and the claims adjustment expenses of our clients. We believe that our proprietary web-based software products and services make the management of collision repairs more efficient by controlling the cost of the repair and by facilitating the gathering and distribution of information required in the automobile repair process.

We control the vehicle repair process from the reporting of the accident through the satisfactory repair of damage. We bring together and coordinate the activities of the insurance company, its insured, and the various parties involved in evaluating a claim, negotiating the cost of the repair, and performing necessary repair services. We have contracted with approximately 2,500 body shops throughout the United States to repair vehicles. These shops, referred to as our provider network, provide us 10% to 15% discount on the vehicle repair because of the volume of repairs we provide to them. Since we audit every line of every repair estimate and because we share a portion of the volume discount with our customer, we are able to lower the average cost being paid by our customer.

We derive our revenues by accepting assignments of auto repair claims from our customers and having the vehicle repaired through our network of contracted repair shops. Once we accept these claims, we also accept the risk that the repair will not be done properly. Additionally, we derive revenue from fees for processing and coordinating claims that do not go through our network of body shops.

In March 2004, we entered into a Co-Marketing Agreement with ADP Claims Service Group (ADP), pursuant to which ADP sells and markets our core Internet application and collision management services. The product is private labeled under the name ADP Managed Repair Solutions and utilizes us as the back room for processing the claim repairs and our network of repair facilities. As a result of this agreement, several new clients were obtained which contributed to our claims growth in fiscal 2006. In May 2006, ADP Claims Services Group was acquired by Solera, Inc, a privately held company, which established a new-co, Audatex, as the new operating organization. This transaction had a short term negative impact on our anticipated growth in new revenues. After several attempts to fashion a new co-marketing agreement it became clear that there was no benefit in creating a new long term agreement as the strategic initiative of Solera was not in concurrence with eAutoclaim s market strategy. At the end of fiscal 2007 there were only two remaining accounts under the original agreement still active, both of which were eAutoclaims clients at their inception.

We develop customized internet technology solutions for insurance companies and companies with fleets of vehicles and heavy equipment. These products provide for both an outsourcing and/or ASP solution aligned with current industry standards. The outsourcing solution provides customers with a complete internet based managed claims solution from first notice of loss through the completion of the repair cycle leveraging our vendor and partner networks. The ASP solution allows the customer to use our internet technology solutions independent of our personnel, enabling them to reduce their costs associated with developing, supporting, and maintaining a proprietary technology solution.. Both solutions have proven successful in driving down customer operating costs, indemnity costs and loss adjustment expenses through automation leveraging our customized technology solutions and leveraging our network of vendors and partners.

Our network of vendors and partners can provide services such as independent adjusters, car rentals, tow trucks, accident reporting and auto repair centers all available through our technology solutions. The ASP solution enables customers with their own network of vendors and partners to be seamlessly integrated into our technology solutions providing for greater flexibility while maintaining transparency in managing these partners.

Outsourcing Solutions:

In our outsourcing solution we handle the entire collision repair function for our customers from the time of reporting of the accident through the vehicle's satisfactory repair. Through our network of parts and repair service providers, we are frequently able to obtain parts and services at lower costs than otherwise available. We monitor and audit all repair work to help assure that the proper repair work is performed at the negotiated price. We strive to provide our customers with ways to control costs associated with processing collision claims. These services include:

1. Centralized accident reporting.
2. Copies of accident reports.
3. Identifying the appropriate network repair facility and directing the policyholder to such facility.
4. Deliver repair estimates and photographs/digital images of damage to any location overnight or same day upload.
5. Audit of every claim by our in-house physical damage experts.
6. Assignment of independent field appraiser, when necessary.
7. Expedited delivery of part and materials as needed.
8. Computerized tracking and follow-up system to minimize repair time.
9. Replacement rental vehicles.
10. A lifetime guarantee from our network of repair shops (for as long as the insured owns the vehicle) on all physical damage body repairs and administration of manufacturer or installer's warranty on replacement parts.

We help our clients manage their vehicle claims losses by providing the following:

Technology We build customized web-based vehicle claim assignment and delivery systems for insurance companies and corporate fleets. We use state-of-the-art technology and security for the transmission of files and records. In addition, we utilize digital cameras, Internet communication, advanced data storage and scanners for auto repair shops that are not equipped with digital cameras, to create a defined audit trail and high capacity digital storage. We provide these customized applications to our clients with their own private label that includes their corporate colors and logos, which makes the claims process transparent to both insurance company personnel and the insured.

Online, real time reporting We provide our customers with online, real-time reports of the most critical information used in their operations. These reports include a comparison of their average paid losses (cost to repair a vehicle), cycle time (time to complete an estimate of the damage), and lost adjustment expense (cost of the repair estimate or appraisal) between the eAutoclaims

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

network, independent appraisers and staff appraisers. This comparison allows them to see the cost saving they realize while using our outsourcing solution.

Audit Trail We audit every claim that comes into our network. This helps us deliver the lowest available audited cost to our clients on every repair.

4

Table of Contents

Our system produces financial benefits for our customers as follows:

Our audit process reduces the average paid loss per vehicle.

We share a portion of the discounts obtained from the body shops with our clients based on their submitted volume.

With lower average paid losses, insurance companies are able to establish lower loss claims reserves. This, in turn, frees up capital and surplus allowing for lower premium rates.

Technology efficiencies reduce their cost of processing each file.

Our typically faster settlement time reduces the days of use and, therefore, the cost of rental cars and increases customer satisfaction because their repaired vehicle is typically returned to them in a shorter time.

Our process of claims investigation helps reduce fraudulent claims.

AuditPro is a rules-based estimate auditing application that has been well received by existing clients and prospects. Large carriers can use AuditPro as a stand-alone model that can be integrated within their organization without the need for significant initial cost and without materially changing their internal workflow. Based on the initial favorable acceptance, we believe this product, with its exceptional high margins, will be a source of significant revenue growth in the future.

CUSTOMERS

Our customers consist primarily of insurance companies, managing general agents (MGAs), third party administrators (TPAs) and managers of self-insured automobile fleets. The most recent addition is a category of customers, including Mitchell International, that service the insurance market.

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

Contracts with existing clients are typically from one to five years. Pursuant to the contract we take responsibility for repairing the vehicle, and the liability to pay for the repairs performed in our network of body and glass repair providers. As a general rule, within seven days of the assignment of the vehicle to the body shop, our customers pay us the completed audited repair price, before the shop discount, less the customer's volume discount. Our fleet and glass customers generally pay us within 30 days of the repair. If a vehicle owner decides to have the vehicle repaired at a body shop that is not in the eAutoclaims network shop, we are paid a file-handling fee only.

Integration of service partners in the eJusterSuite® application continues. In addition to a larger offering of service partners our auto glass network administration services are also a value added service to our collision management clients.

In May 2006, ADP Claims Services Group was acquired by Solera, Inc. a privately held company and a new-co, Audatex, a Solera Company, was established as the operating organization. When this transaction occurred, it triggered two provisions of our Co-Marketing Agreement with ADP. The first one was our right to terminate the exclusivity clause and the second was the need for us to give consent to ADP for the assignment of our Co-Marketing Agreement to another organization.

We were not provided access to, nor were we requested to consent to, the ADP/Solera transaction prior to its closing. Thus we were unable to clearly identify how our Co-Marketing Agreement would be part of Audatex's strategic plans. On May 1, 2006, we chose to withhold the consent of assigning our agreement to Audatex and elected to terminate the exclusivity clause with ADP Claims Services Group.

5

Table of Contents

SALES AND MARKETING

Our Sales & Marketing strategy has evolved over the past year with a greater emphasis on expansion of our Direct Sales team while continuing the expansion of our channel partner relationships.

The transition subsequent to the acquisition of ADP Claims Services Group by Audatex had an adverse impact on the number of viable prospects in the sales pipeline as well as the number of accounts closed by our channel partner.

Over the past year our Direct Sales team has made progress to grow ASP sales revenue due to the relatively high margins generated by our ASP products. We market three ASP products including eJusterSuite®, AuditPro, and the Appraisal Management System. Each of the products can be used independently or may use other ASP modules, depending on client workflow and business needs.

Licensing of eJusterSuite® as an ASP has been another growth product that is used by carriers who rely on existing Staff Appraisers and those who manage an existing Direct Repair Program. eJusterSuite® allows carriers to manage appraisal assignments, monitor performance of appraisal sources through various metrics, and includes access to service partners for rental car procurement, assignment to salvage vendors,

police report pick-up services, and several other service partners frequently used by Insurance Adjusters.

We are preparing to release a new module within eJusterSuite to assist carriers who use Staff Appraisers and can be bolted on to any policy management system by outside providers. The new module adds functionality currently not available in the industry. The innovation has been well received by existing clients who have been involved in the development of this technology. The new product is currently in beta testing and national release is expected in the first half of the fiscal year 2008.

Our direct sales team has made progress with regard to Managed Collision Repair sales under the leadership of our new Vice President of Sales who joined the company in the last quarter of this fiscal year.

New Opportunities:

The company continues to work with other large carriers and expects to see continued growth in this larger tier marketplace.

Competition

The auto collision claims service industry is highly competitive and has low barriers to entry. We are aware of several other companies that offer Internet-based services similar to ours. Several of these competitors serve the insurance industry, although most focus on either the fleet or insurance segments of the market. We are aware of one competitor that offers collision repair services through a network of collision repair providers, online connectivity with those providers, and the estimate review service combined with a share of the volume discount with the customer that is provided by the repair facility.

Several of our competitors offer application services (Application Service Provider models) along with electronic auditing capabilities. Even though most of our competitors have either changed their targeted marketing efforts or narrowed their focus to the insurance arena, the majority of these competitors have been in business longer than we have. Several of these competitors have significantly greater assets and financial resources than currently available to us. We expect competition to continue to intensify in the on-line claims management segment of this industry as current non-Internet competitors expand their market into the Internet and new competitors enter the market utilizing the Internet.

We cannot assure you that we will be able to compete successfully against current or future competitors. As competition in our industry increases, it is likely that many of our competitors will have access to greater resources than are currently available to us, including financial, employee, customer relations, technology, and expertise in developing and implementing new technologies as the industry evolves.

The principal factors that help us to maintain and grow our market share are:

Continuous implementation of new technology to streamline the claims processing workflow for insurance adjusters;

Table of Contents

Maintain attractive processing cycle time for claims; Quality of repair shop services;

Ability to offer nationwide access to repair facilities;

Processing of claims/assignment fees and charges;

Ability to offer new services and efficiencies while incorporating technological change into existing services;

Access to claim status 24/7;

The increase in the volume of vehicles that a repair facility can expect to repair as part of our network;

Customer Service

Our continued growth will be dependent upon our ability to consistently deliver customer centered service at competitive prices. Our eJusterSuite® system is designed to ensure that the claims process flows smoothly and seamlessly. Our follow-up on claims assignments helps to ensure that all details of the claim will be verified to our quality standards.

We have implemented a Customer Service Professional certification as part of our Best Practices to ensure that our employees are fully trained in the latest in customer service techniques and to help us in attaining our objective of becoming known as one of the best customer service organizations in the industry.

Employees

As of July 31, 2007, we had 60 full-time employees. There is no union contract relating to any of our employees nor do we anticipate there to be unionization of our employees. We believe that our relationship with our employees is generally good.

INTELLECTUAL PROPERTY

We rely on various intellectual property laws and contractual restrictions to protect our proprietary rights in products and services. These include confidentiality, invention assignment and nondisclosure agreements with our employees, contractors, suppliers and strategic partners. The confidentiality and nondisclosure agreements with employees, contractors and suppliers are in perpetuity. Despite these precautions, it may be

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

possible for a third party to copy or otherwise obtain and use our intellectual property without our authorization. In addition, we intend to pursue the registration of our trademarks and service marks in the U.S.

During fiscal 2004 we changed our corporate name from eAutoclaims.com, Inc. to eAutoclaims, Inc. We have filed for and have been granted the fictitious name EAUTOCLAIMS in the State of Florida. We also own twenty-four (24) URL Internet domain names. We maintain a website located at www.eautoclaims.com. We are not incorporating by reference any information on our website and information on our website should not be considered part of this report.

There can be no assurance that other parties will not claim infringement by us with respect to our current or future technologies. We expect that participants in our markets will be increasingly subject to infringement claims as the number of services and competitors in our industry segment grows. Any such claim, with or without merit, could be time-consuming, result in costly litigation, cause service upgrade delays or require us to enter into royalty or licensing agreements. Such royalty or licensing agreements might not be available on terms acceptable to us, or at all. As a result, any such claim of infringement against us could have a material adverse effect upon our business, results of operations and financial condition.

OPERATIONS AND TECHNOLOGY

Overview

We have created several web-based applications that assist insurance adjusters, appraisal sources, and repair centers to efficiently and effectively conduct business. The web applications facilitate lower turn around times in settling claims through the use of internet technology. Lower average paid losses to insurance companies are achieved through extensive programmatic audits that are individually customized to the insurance company's auditing profile. Our customers see increased workflow efficiencies created by integrating core and customized software modules (First Notice Of Loss, System Integration to eliminate re-keying, Intelligent dispatch Systems, programmatic audit, proactive reporting, e.g.), designed to compliment the customer's existing business system and not replace it.

7

Table of Contents

Each of our web-based products evolves through constructive feedback from our clients. We design new functionality requests in a modular approach so that any other customer can have that same functionality by a simple change in their profile. This evolution and modular integration of functionality allows us to have one of the most dynamic and versatile products in the marketplace for on line claims processing.

All products are web based enabling transparent upgrades, which reduce potential customer impact.

Products

eJustersuite®

Our eJustersuite® application is a one call contact center solution that provides insurance adjusters the ability to take the First Notice of Loss (FNOL) and dispatch the assignment to the appraisal source of their choice (Staff Appraiser, Repair Shop, Independent Appraiser, or Desk Estimator) through geographical proximity algorithms as well as provide assignment loading criteria for each appraisal source. An Insurance Adjuster can also make real time rental car reservations and tow truck pickup arrangements for the car while the customer is on the phone. The eJustersuite® product interfaces with a multitude of partners for scene investigation, police reports, salvage partners, etc...

eJustersuite® customers can use an innovative technology called CASe (Customizable Assignment Entry). With CASe the client can create their own forms based on a comprehensive collection of data elements based on the ACORD FNOL form. There are no limits on the number of forms a client can create and each form can be tailored to ensure that only the necessary information is obtained thus increasing efficiency when entering data.

AuditPro

Our AuditPro product is an extremely versatile estimate-auditing program. Auditpro allows an insurance company to create specific auditing guideline profiles based on state, county, zip, appraisal source and a multitude of other environmental elements. The audit results are given scores based on the weighted rules of the auditing profile and expressed as both points and dollars variance. Special routing to the appropriate reviewing source is possible through a routing profile. Potential total losses could be sent to a specific adjuster or department while light impact estimates could be sent to another.

With our alias technology within AuditPro we are able to minimize the amount of false positives and produce a highly accurate audit result that characterizes the estimate violations based on severity and cost variance. Auditpro also has the ability for the insurance company to modify the estimate on the fly and send the corrected estimate to the appraisal source.

Auditpro versions are available for shops and independent appraisers. Within those versions estimates can be verified against the auditing guidelines of the insurance company at the appraisal source level prior to being submitted to the insurance company. In the first quarter of calendar 2008 we will release AuditPro Enterprise that will be a total stand alone rules based auditing tool that can be integrated with any policy management system, claims system, or as a stand alone for the physical damage book of business of any size insurance company insuring that peril.

Governmental Regulation

From time to time we receive inquiries from state regulators relating to licensing and qualification requirements as insurance claims adjuster, appraiser or legality of a direct repair network under the laws of that particular jurisdiction. We also received inquiries regarding compliance with steering laws of certain jurisdictions. To date, we have been successful in demonstrating to the appropriate state regulators that we do not violate the jurisdiction laws, that qualification is not required.

Table of Contents

Certain jurisdictions could adopt laws directed at the auto insurance industry, which could affect our business in an unforeseen and adverse manner. A couple of states have pending or proposed legislation that, if adopted, could adversely affect our business model. To date, industry trade associations have been successful in preventing the passage of unfavorable legislation.

It is possible that a number of laws and regulations may be adopted with respect to the Internet. These laws may cover issues such as user privacy, freedom of expression, pricing, content and quality of products and services, taxation, advertising, intellectual property rights and information security. Furthermore, the growth of electronic commerce may prompt calls for more stringent information gathered online or require online services to establish privacy policies. The Federal Trade Commission has also initiated actions against online service providers regarding the manner in which personal information is collected from users and provided to third parties. We do not currently provide personal information regarding our users to third parties. However, the adoption of such consumer protection laws could create uncertainty in Web usage and reduce the demand for our products and services.

We are not certain how our business may be affected by the application of existing laws governing issues such as property ownership, copyrights, encryption and other intellectual property issues, taxation, libel, obscenity and export or import matters. The vast majority of such laws were adopted prior to the advent of the Internet. As a result, they do not contemplate or address the unique issues of the Internet and related technologies. Changes in laws intended to address such issues could create uncertainty in the Internet market place. Such uncertainty could reduce demand for our services or increase the cost of doing business as a result of litigation costs or increased service delivery costs.

In addition, because our services are available over the Internet in multiple states and foreign countries, other jurisdictions may claim that we are required to qualify to do business in each such state or foreign country. We are incorporated in Nevada and are currently only required to be qualified as a foreign corporation authorized to do business in the State of Florida because our offices and employees are located in Oldsmar, Florida. Changes in the laws affecting the Internet or the automobile insurance repair industry may require us to qualify in additional jurisdictions. Our failure to qualify in a jurisdiction where we are required to do so could subject us to taxes and penalties. It could also hamper our ability to enforce contracts in such jurisdictions. The application of laws or regulations from jurisdictions whose laws do not currently apply to our business could have a material adverse effect on our business, results of operations and financial condition.

Risks

We anticipate that we will continue to devote significant resources to product development in the future as we add new features and functionality to our products and services. Rapidly changing technology, evolving industry standards, and changing customer demands characterize the market in which we compete. Accordingly, our future success will depend on our ability to:

Adapt to rapidly changing technologies

Adapt our services to evolving industry standards

Continually improve the performance, features and reliability of our service in response to competitive service and product offerings and evolving demands of the marketplace.

Our failure to adapt to such changes would have a material adverse effect on our business, results of operations and financial condition. In addition, the widespread adoption of new Internet, networking or telecommunications technologies or other technological changes could require substantial expenditures by us to modify or adapt our services or infrastructure. This could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to Our Business

The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us may also adversely impact our business operations. If any of the following risks actually occur, our business, financial condition, or operating results could be negatively affected.

9

Table of Contents

Our limited operating history makes evaluating our business and prospects difficult.

We have been involved in the Internet based automobile collision insurance claims business since January 2000. Our limited operating history in this industry makes an evaluation of our future prospects very difficult. If we do achieve profitability in any period, we cannot be certain that we will sustain or increase such profitability on a quarterly or annual basis. You should carefully consider our prospects in light of the risks and difficulties frequently encountered by early stage companies in new and rapidly evolving markets. There is a risk that we will not be able to accomplish our objectives. Failure to achieve any of our objectives could negatively affect our business, financial condition and results of operations.

We have all the risks of a principal in the automobile repair process.

We receive revenue from insurance companies for repairs completed by members of our network of repair shops. We approve all repair shops for inclusion in our network and determine which repair shop will perform the repairs. We are responsible for collecting our revenue directly from the insurance company. We therefore act as a principal in the transaction.

If the repairs are not completed correctly, and the vehicle must be sent to another repair shop for repairs to be performed, we must pay for the repairs to be completed again. This cost is not passed on to the insurance company but is a risk that we bear. We control this risk by monitoring work performed by the repair shops, monitoring customer complaints, reviewing the repair shop history and actual site visits to repair shops. We add or remove repair shops from our network based on our review of the repair shop's performance. We eliminate repair shops that we feel are not providing repair work up to its standards. Repairs are approved by customers upon retrieval of their vehicle. We constantly review and revise our network to determine if repair shops included should be removed. We have the risks and rewards of ownership such as the risk of loss for collection, delivery or returns.

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

All our fees are negotiated between us and the insurance company, and the negotiation does not include any repair shop. We must pay the repair shop a fee negotiated between us and the repair shop, and the negotiation does not include any insurance company. The amount owed to the repair shop is owed directly by us and is not guaranteed, directly or indirectly, by any insurance company. We are not acting as an agent or broker (including performing services, in substance, as an agent broker) with compensation on a commission or fee basis.

To date, additional repairs that our repair shops have to provide after a vehicle has been returned to its user have not been material. We have not experienced any material bad debts or collection difficulties from our customers. However, because we act as the principal in the automobile repair process, we are subject to the risks of poor repair work and accounts receivable write-offs from our customers due to dissatisfaction with our services.

We are dependent on only a few customers for a substantial portion of our revenue.

During the year ended July 31, 2007, we derived 38% and 18% of our revenues from two customers. The contract with our largest customer terminated in April 2007 as the business associated with this client has been sold by the client to a third party and our services were not retained. While we continue to work to replace this business with new customers, and have recently begun to recognize revenue from a new client, we cannot guarantee that revenue from this new client will be significant, or that future contracts will represent significant business.

We depend upon independently owned and operated repair shops to provide services to our customers.

We have agreements with a network of independently owned and operated vehicle repair facilities to provide services to our customers. Either the repair facility or we can terminate our contracts at will. Our business could suffer if a significant number of these repair shops terminate their agreements with us or fail to provide the quality of service expected by our customers.

We may not be indemnified for all losses resulting from our vehicle repair business.

We require that all repair shops in our network indemnify us from claims relating to their negligent acts or breach of their agreement with us, maintain a specified amount of liability insurance coverage, and name us as an additional insured under their liability policy. This coverage may not, however, cover all liabilities to which we may be subject, and our business could suffer if we need to draw significant funds from operating revenue to pay claims that are not covered or that exceed the limits of our coverage.

10

Table of Contents

The market for insurance auto collision claims services is competitive.

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

Because the auto collision claims service industry is highly competitive and has low barriers to entry, we cannot assure you that we will be able to compete effectively. We are aware of two other companies that offer internet-based services similar to ours. These competitors provide their services primarily to the fleet management and auto glass industries. All of these competitors have been in business longer than we have and have significantly greater assets and financial resources than currently available to us. We expect competition to intensify in the Internet-based segment of this industry as current non-Internet competitors expand their market into the Internet and new competitors enter the market utilizing the Internet. We cannot assure you that we will be able to compete successfully against current or future competitors. Competitive pressures could force us to reduce our prices and may make it more difficult for us to attract new customers and retain current customers. The principal competitive factors for our services are:

- turn around time for claims processing;
- quality of repair shop services;
- ability to offer nationwide access to repair facilities;
- claims processing fees and charges;
- ability to offer new services and incorporate technological change into existing services;
- 24/7 access to status of claim;
- volume of repair claims a repair facility can expect to support discount amounts.

As competition in our industry increases, it is likely that many of our competitors will have access to greater resources than are currently available to us, including financial, employee, customer relations, technology, and expertise in developing and implementing new technologies as the industry evolves. In addition, competitors may be able to develop services that are superior to our service, that achieve greater customer acceptance or that significantly improves functionality as compared to our existing and future products and services.

The use of the Internet to provide collision claims administration services is a recent development and the extent of customer acceptance is not yet known.

Internet-based collision claims administration is a relatively new and evolving industry. As such, there is no clearly defined business model that has a lengthy history of customer acceptance and profitability. For the industry to be successful, insurance companies must be willing to obtain collision administration services over the Internet. There is no way to be sure that a sufficient number of customers will utilize our services to enable us to remain profitable.

We depend on key personnel and will need to recruit new personnel as we grow.

Because we are a small company, we are currently dependent on the efforts of a limited number of management personnel. We believe that given the development stage of our business and the large amount of responsibility being placed on each member of our management team, the loss of the services of any member of this team at the present time would harm our business. Each member of our management team supervises the operation and growth of one or more integral parts of our business.

If we are successful in expanding our customer base, we will need to add additional key personnel as we continue to grow. If we cannot attract and retain enough qualified and skilled staff, the growth of our business may be limited. Our ability to provide services to clients and expand our business depends, in part, on our ability to attract and retain staff with professional experiences that are relevant to technology development and other functions we perform. Competition for personnel with these skills is intense. Some technical job categories are under conditions of severe shortage in the United States. In addition, restrictive immigration quotas could prevent us from recruiting skilled staff from outside the United

States. We may not be able to recruit or retain the caliber of staff required to carry out essential functions at the pace necessary to sustain or expand our business.

We believe our future success will depend in part on the following:

the continued employment and performance of our senior management,
our ability to retain and motivate our officers and key employees, and
our ability to identify, attract, hire, train, retain, and motivate other highly skilled technical, managerial, marketing, and customer service personnel.

11

Table of Contents

Our business will suffer if our independent automobile collision repair shops do not provide good service.

We currently have relationships with approximately 2,500 independently owned and operated body shops upon which we depend to perform quality repair services at a reasonable cost and in a timely manner. Although we monitor the quality and timeliness of their services and can terminate our relationship with those shops that do not meet our standards, we do not have meaningful control over the quality of their services. Poor workmanship or service by any of these shops can adversely affect our relationships with customers and could cause them to stop dealing with us or reduce the amount of business that they do with us. In addition, because we assume the responsibility for the quality of repairs, poor workmanship and inferior work can negatively affect our financial position because of the additional costs we incur in properly repairing an automobile.

If we fail to adequately protect our trademarks and proprietary rights, our business could be harmed. Our rights to our service marks are uncertain.

The steps we take to protect our proprietary rights may be inadequate. We regard our copyrights, service marks, trademarks, trade secrets and similar intellectual property as critical to our success. We rely on trademark and copyright law, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our proprietary rights. We have previously been involved in litigation regarding the rights to use the name eAutoclaims.com. Effective trademark, service mark, copyright and trade secret protection may not be available in every country in which we may in the future offer our products and services. Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear. Therefore, we may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or otherwise decrease the value of our trademarks and other proprietary rights.

We may not be able to protect our proprietary technology.

Despite any precautions we may take, a third party may be able to copy or otherwise obtain and use our software or other proprietary information without authorization or develop similar software independently. We cannot assure you that the steps we have taken or will take will

prevent misappropriation of our technology. Litigation may be necessary in the future to determine the validity and scope of the proprietary rights of others, or defend against claims of infringement or invalidity. This litigation, whether successful or unsuccessful, could result in substantial costs and diversions of resources, either of which could harm our business. If we are unable to protect our current or future proprietary technology, our ability to compete effectively will be harmed.

If we are to remain competitive, we must be able to keep pace with rapid technological change.

To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our website. The online commerce industry is characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render our business model and proprietary technology and systems obsolete in comparison to systems competitors may implement. Our future success will depend, in part, on our ability to develop or license leading technologies useful in our business, enhance the ease of use of our existing services, develop new services and technologies that address the varied needs of our customers, and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. If we were unable, for technical, legal, financial or other reasons, to incorporate new technology in new features or products, we may not be able to adapt in a timely manner to changing market conditions or customer requirements.

We may infringe intellectual property rights of third parties.

Litigation regarding intellectual property rights is common in the software and technology industries. We may in the future be the subject of claims for infringement, invalidity, or indemnification claims based on such claims of other parties' proprietary rights. These claims, with or without merit, could be time consuming and costly to defend or litigate, divert our attention and resources, or require us to enter into royalty or licensing agreements. There is a risk that such licenses would not be available on reasonable terms, or at all. Although we believe we have the ability to use our intellectual property to operate and market our existing services without incurring liability to third parties, there is a risk that our products and services infringe the intellectual property rights of third parties.

12

Table of Contents

Our products and technology depend on the continued availability of licensed technology from third parties.

We license and will continue to license certain technology and software from third parties. These licenses are integral to our business. If any of these relationships were terminated or if any of these third parties were to cease doing business, we would be forced to spend significant time and money to replace the licensed software. If we are not able to replace these licenses on commercially reasonable terms, it may be necessary for us to modify or discontinue some of our services that depend upon technology licensed from third parties. We cannot assure you that we would be able to replace these licenses.

Our information technology systems are subject to certain risks that we cannot control.

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

Our information systems, including our accounting systems, are dependent, to an extent, upon third-party software, global communications providers, telephone systems and other aspects of technology and Internet infrastructure that are susceptible to failure. Although we have implemented redundant systems and network security measures, our information technology remains susceptible to outages, computer viruses, break-ins and similar disruptions that may inhibit our ability to provide services to our customers and the ability of our customers to access our systems. In addition, because we are located in Florida we are susceptible to power disruptions and outages due to hurricanes and other weather events. This may result in the loss of customers or a reduction in demand for our services. If disruption occurs, our profitability and results of operations may suffer.

We are exposed to potential risks from recent legislation requiring companies to evaluate their internal control over financial reporting.

We are working diligently toward evaluating and documenting our internal control systems in order to allow management to report on, and our independent auditors to attest to, our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002. This system for the purpose of complying with Sarbanes-Oxley Section 404 will require significant effort in a compressed timeframe, as well as result in our incurring costs to comply with Sarbanes-Oxley Section 404. There can be no assurances that the evaluation required by Sarbanes-Oxley Section 404 will not result in the identification of significant control deficiencies or that our auditors will be able to attest to the effectiveness of our internal control over financial reporting.

We have account payables that have long payment cycles due to the nature of the collision repair business.

Many of our contracts with customers provide for payment to us for vehicle repairs at the time the repair cost has been determined. Under these agreements, we bear all risks associated with the repair of the vehicle beginning with receipt of payment from our customer. Historically, approximately two percent (2%) of policyholders fail to have the vehicle repaired after filing a claim with their insurance carrier. Although we bear the risk of these repairs, it is not entirely clear as to when, or if, we are entitled to hold these payments. It is possible that other parties (i.e. the insurance carrier, the repair facility or the individual automobile owner) may claim that they are entitled to such funds. The policyholder often saves for the deductible portion of their claim, which can result in a long period of time between the time they file their claim and the time that the vehicle is repaired. Because of the uncertainty as to if we may be required to make these payments, when we may be required to make them, and who we may be required to pay, we book such amounts as accounts payable in our financial statements. As of July 31, 2007, approximately \$1,174,172 of our accounts payable consisted of advance payments. Although management believes we are entitled to hold such funds due to the risk we assume for repair of a vehicle, there is no assurance that customers will agree with our position. Should we be required to issue payment for all such amounts at one time, we may not be able to do so.

Risks Related to the Internet

The Internet could become subject to regulations that affect our business.

Our business relies on the Internet and other electronic communications gateways. We intend to expand our use of these gateways. To date, the use of the Internet has been relatively free from regulatory restraints. However, legislation, regulations, or interpretations may be adopted in the future that constrain our own and our customers' abilities to transact business through the Internet or other electronic communications gateways. Legislation or other attempts at regulating commerce over the Internet could impair the growth of commerce on the Internet or could impose licensing or other requirements that could increase our cost of providing Internet-based services.

Table of Contents

We are vulnerable to the effects of natural disasters, computer viruses, and similar disruptions.

The continued and uninterrupted performance of our computer system is critical to our success. Our ability to successfully provide our applications and high-quality customer service largely depends on uninterrupted operation of our computer and communications hardware and software systems. We have taken measures to help assure that our systems are protected from unauthorized access. In addition, we maintain redundant systems for backup and disaster recovery. Despite these safeguards, we may be vulnerable to damage or interruption from hurricanes, fire, flood, power loss, telecommunications failure, break-ins, and similar events. In addition, we do not, and may not in the future, carry sufficient business interruption insurance to compensate us for losses that may occur. Despite our implementation of Internet security measures, our servers will be vulnerable to computer viruses, physical or electronic break-ins, and similar disruptions which could lead to interruptions, delays, loss of data or the inability to process transactions.

Our future success will depend on the Internet's ability to accommodate growth.

The recent growth in the use of the Internet has caused frequent periods of performance degradation. Any failure in performance or reliability of the Internet could adversely affect our ability to fulfill our obligations to customers in a timely manner and, consequently, hurt our operating results. To the extent that the Internet continues to experience increased numbers of users, frequency of use or increased bandwidth requirements of users, the Internet infrastructure may not be able to continue to support the demands placed on it and, as a result, the performance or reliability of the Internet may be adversely affected. Furthermore, the Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure or otherwise. The relatively complex and unproven technology that makes up the Internet infrastructure poses a risk of material outages or delays that could adversely affect the ability of our customers to use our trading systems. In addition, the Internet could lose its viability as a form of media due to delays in the development or adoption of new standards and protocols that can handle increased levels of activity. The infrastructure and complementary products and services necessary to maintain the Internet as a viable commercial medium may not be developed or maintained.

We are dependent on the continued growth of online commerce.

Our future revenues and any future profits will be dependent upon the widespread acceptance and use of the Internet and other online services as an effective medium of commerce by consumers. No standards have yet been widely accepted for the measurement of the effectiveness of Internet sales, and there can be no assurance that such standards will develop sufficiently to support Internet sales as a purchasing medium. Rapid growth in the use of and interest in the Internet, and other online services is a recent phenomenon, and there can be no assurance that acceptance and use will continue to develop or that a sufficiently broad base of consumers will adopt, and continue to use, the Internet and other online services as a medium of commerce. Demand and market acceptance for recently introduced services and products over the Internet are subject to a high level of uncertainty and there exist few proven services and products. We rely, and will continue to rely, on consumers who have historically used traditional means of commerce to purchase merchandise. For us to be successful, these consumers must accept and utilize novel ways of conducting business and exchanging information. There can be no assurance that our customers will accept the Internet as a means to purchase the Company's services or that our customers will adopt its systems as a means to purchase services.

Governmental regulation and taxation of the Internet is subject to change.

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

A number of legislative and regulatory proposals under consideration by federal, state, local and foreign governmental organizations may result in there being enacted laws concerning various aspects of the Internet, including online content, user privacy, access charges, liability for third-party activities, and jurisdictional issues. These laws could harm our business by increasing our cost of doing business or discouraging use of the Internet.

In addition, the tax treatment of the Internet and electronic commerce is currently unsettled. A number of proposals have been made that could result in Internet activities, including the sale of goods and services, being taxed. The U.S. Congress passed the Internet Tax Information Act, which places a three-year moratorium on new state and local taxes on Internet commerce. There may, however, be enacted in the future laws that change the federal, state or local tax treatment of the Internet in a way that is detrimental to our business.

Some local telephone carriers claim that the increasing popularity of the Internet has burdened the existing telecommunications infrastructure and that many areas with high Internet use are experiencing interruptions in telephone service. These carriers have petitioned the Federal Communications Commission to impose access fees on Internet service providers. If these access fees are imposed, the cost of communicating on the Internet could increase, and this could decrease the demand for our services and increase our cost of doing business.

14

Table of Contents

Risks Related to Our Common Stock

Our Common Stock price may be volatile, which could result in substantial losses for individual stockholders.

The market price for our Common Stock is volatile and subject to wide fluctuations in response to factors including the following, some of which are beyond our control, which means our market price could be depressed and could impair our ability to raise capital:

- actual or anticipated variations in our quarterly operating results;
- announcements of technological innovations or new products or services by us or our competitors;
- changes in financial estimates by securities analysts;
- conditions or trends in the Internet and/or online commerce industries;
- changes in the economic performance and/or market valuations of other Internet, online commerce companies;
- additions or departures of key personnel.

Our Certificate of Incorporation limits director liability thereby making it difficult to bring any action against them for breach of fiduciary duty.

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

As permitted by Nevada law, the Company's Certificate of Incorporation limits the liability of directors to the Company or its stockholders for monetary damages for breach of a director's fiduciary duty except for liability in certain instances. As a result of the Company's charter provision and Nevada law, stockholders may have limited rights to recover against directors for breach of fiduciary duty.

We may be unable to meet our future capital requirements.

We are substantially dependent on receipt of additional capital to effectively execute our business plan. If adequate funds are not available to us on favorable terms we will not be able to develop new services or enhance existing services in response to competitive pressures, which would affect our ability to continue as a going concern. We cannot be certain that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-related or debt securities, such securities may have rights, preferences or privileges senior to those of the rights of our Common Stock and our stockholders may experience additional dilution.

Penny stock regulations may impose certain restrictions on marketability of our stock.

The Securities and Exchange Commission (the Commission) has adopted regulations which generally define a penny stock to be any equity security that has a market price (as defined) of less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. As a result, our Common Stock is subject to rules that impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the Commission relating to the penny stock market. The broker-dealer must also disclose the commission payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Consequently, the penny stock rules may restrict the ability of broker-dealers to sell our securities.

We have never paid dividends on our Common Stock and do not expect to pay any in the foreseeable future.

A potential purchaser should not expect to receive a return on their investment in the form of dividends on our Common Stock. We have never paid cash dividends on our Common Stock and we do not expect to pay dividends in the foreseeable future.

15

Table of Contents

Substantial sales of our Common Stock could cause our stock price to rapidly decline.

The market price of our Common Stock may fall rapidly and significantly due to sales of our Common Stock from other sources such as:

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

The sale of shares of our Common Stock underlying the exercise of outstanding options and warrants.

The sale of shares of our Common Stock, which are available for resale under Rule 144 or are otherwise freely tradable and which are not subject to lock-up restrictions.

Any sale of a substantial amount of our Common Stock in the public market, or the perception that these sales might occur, whether as a result of the exercise of outstanding warrants or options or otherwise, could lower the market price of our Common Stock. Furthermore, substantial sales of our Common Stock by such parties in a relatively short period of time could have the effect of depressing the market price of our Common Stock and could impair our ability to raise capital through the sale of additional equity securities.

Anti-dilution rights granted to certain investors may cause substantial dilution to our other stockholders.

Certain previous capital raises included the issuance of warrants which contained full ratchet anti-dilution protection to avoid dilution of the equity interest represented by the underlying shares upon the occurrence of certain events, including the issuance of equity securities if an issuance, conversion or exercise price was less than \$0.30. As a result of this provision, an equity raise in early 2005 where the offering price was \$0.16 triggered the re-pricing of these previously issued warrants to \$0.16. In addition warrant holders from offerings done in 2004 and 2005 are entitled to demand registration rights for a two year period and we are subject to liquidated damages if we do not maintain the effectiveness of the subject registration statement. Our Common Stock currently trades at a price less than \$0.16 per share. If we need to raise additional capital to meet current working capital requirements, this may trigger the anti-dilution rights of previous investors, which may result in additional dilution to our current shareholders.

The forward-looking information in this Form 10-K may prove inaccurate.

This Form 10-K contains forward-looking statements and information that are based on management's beliefs as well as assumptions made by, and information currently available to, management. When used in this report, words such as anticipate, believe, estimate, expect, and, depending on the context, will and similar expressions, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including the specific risk factors described above. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We do not intend to update these forward-looking statements and information.

ITEM 2. DESCRIPTION OF PROPERTY

Our main offices are located at 110 East Douglas Road, Oldsmar, Florida 33467. We currently lease these facilities under lease terms that expire in December 2012. Our rent at July 31, 2007, including applicable taxes, was \$22,336 per month and increases 3% at the beginning of each calendar year through the remaining life of the lease.

We believe that the facilities are well maintained, are in substantial compliance with environmental laws and regulations, and are adequately covered by insurance. We also believe that these leased facilities are not unique and could be replaced, if necessary, at the end of the term of the existing lease.

16

Table of Contents

ITEM 3. LEGAL PROCEEDINGS

We are currently not involved in any legal proceedings that are considered material.

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

None during the fourth quarter of the fiscal year ended July 31, 2007.

17

Table of Contents

PART II

**ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND
SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES**

Market Value

Our Common Stock is traded on the OTCBB under the symbol EACC.OB . The following table sets forth, the high and low bid prices of the Common Stock for the periods shown as reported by the National Quotation Bureau. The bid prices quoted on the OTCBB reflect inter-dealer prices without retail mark-up, mark-down or commission and may not represent actual transactions.

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

	High Bid	Low Bid
Fiscal Year Ended July 31, 2007		
First Quarter (August 1, 2006 to October 31, 2006)	0.17	0.13
Second Quarter (November 1, 2006 to January 31, 2007)	0.17	0.12
Third Quarter (February 1, 2007 to April 30, 2007)	0.19	0.12
Fourth Quarter (May 1, 2007 to July 31, 2007)	0.15	0.11
Fiscal Year Ended July 31, 2006		
First Quarter (August 1, 2005 to October 31, 2005)	0.22	0.15
Second Quarter (November 1, 2005 to January 31, 2006)	0.36	0.18
Third Quarter (February 1, 2006 to April 30, 2006)	0.34	0.22
Fourth Quarter (May 1, 2006 to July 31, 2006)	0.27	0.16

During the quarter ended July 31, 2007 we issued 623,484 shares of common stock to members of the Board of Directors for consulting services and other services rendered in accordance with the approved Board compensation plan. Also, during the quarter ended July 31, 2007 we issued a total of 281,250 shares of common stock to investors upon exercise of common stock purchase warrants.

Holders

As of July 31, 2007, we had approximately 235 common shareholders of record.

Dividends

We have not paid any cash dividends on our common or preferred stock and do not anticipate paying any such cash dividends in the foreseeable future. Earnings, if any, will be retained to finance future growth.

18

Table of Contents

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information with respect to our common stock that may be issued upon the exercise of outstanding options, warrants, and rights to purchase shares of our common stock as of July 31, 2007.

Plan Category

	Number of Securities To be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plan (Excluding Securities Reflected in Column (a))	
Equity Compensation Plans Approved by Stockholders	640,000	\$0.21	13,420,411	(4)
Equity Compensation Plans Not Approved by Stockholders (1) (2) (3)	9,361,777	\$0.10	N/A	
Total	10,001,777	\$0.05		

-
- (1) Includes options issued to our CEO and Vice Chairman of the Board at \$.01, and options issued to employees.
(2) Includes 3,000,000 shares that may be issued in connection with a change of control, and 4,950,000 shares that may be issued in the event of default of repayment of outstanding notes payable.
(3) Excludes 14,672,184 warrants issued to investors in connection with capital raising transactions not approved by our stockholders.
(4) Based on a Board of Directors imposed limit of 15%, not the 20% shown in the approved plan.

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

IMPORTANT NOTE ABOUT FORWARD-LOOKING STATEMENTS

The following discussion and analysis should be read in conjunction with our audited financial statements as of and for the year ended July 31, 2007 and the notes thereto, all of which financial statements are included elsewhere in this Form 10-KSB. In addition to historical information, the following discussion and other parts of this Form 10-KSB contain forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated by such forward-looking information due to factors discussed under Description of Business and elsewhere in this Form 10-KSB.

The statements that are not historical constitute forward-looking statements. Said forward-looking statements involve risks and uncertainties that may cause the actual results, performance or achievements of the Company and its subsidiaries to be materially different from any future results, performance or achievements, express or implied by such forward-looking statements. These forward-looking statements are identified by their use of such terms and phrases as expects, intends, goals, estimates, projects, plans, anticipates, should, future, believes, and

The variables which may cause differences include, but are not limited to, the following: general economic and business conditions; competition; success of operating initiatives; operating costs; advertising and promotional efforts; the existence or absence of adverse publicity; changes in business strategy or development plans; the ability to retain management; availability, terms and deployment of capital; business abilities and judgment of personnel; availability of qualified personnel; labor and employment benefit costs; availability and costs of raw materials and supplies; and changes in, or failure to comply with various government regulations. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements included in this Form 10-KSB will prove to be accurate.

Table of Contents

In light of the significant uncertainties inherent in the forward-looking statements included herein the inclusion of such information should not be regarded as a representation by the Company or any person that the objectives and expectations of the Company will be achieved.

OVERVIEW

We are a business-to-business e-commerce company that uses the Internet to streamline and lower the overall costs of automotive repair paid by insurance companies, managing general agents (MGA), third party claims administrators (TPA) and self-insured automobile fleet management companies. We are establishing ourselves as the preeminent service provider for the automobile insurance industry, providing a seamless back-end infrastructure that links thousands of collision repair shops and support facilities. We provide a proprietary, cost-effective and highly advanced system for the processing and ultimate repair of claims for damaged vehicles filed by policyholders of our insurance company clients. We receive revenues from insurance companies for repairs completed by members of our network of repair shops. We approve all repair shops for inclusion in our network and determine which repair shop will ultimately perform the repairs. We receive a discount, ranging from 10% to 15%, from repair facilities that are members of our provider network. The revenues generated from the vehicle and glass repair through our provider network accounts for 84% and 81% of the revenue for the years ended July 31, 2007 and 2006, respectively. We are paid on a per claims basis from our insurance and fleet company customers for each claim that we process through our system. These fees vary from \$10 to \$65 per claim depending upon the level of service required. For the years ended July 31, 2007, and 2006, 16% and 19% of the revenue has been received from claims processing fees and other income, respectively.

MANAGEMENT'S OPERATING PLAN

The transition of the channel partner relationship from ADP Claims Services Group to Audatex resulted in less sales and revenue being produced in fiscal year 2006-07 than we had anticipated. As mentioned earlier, in May 2005, ADP Claims Services Group was acquired by Solera, Inc. a privately held company and a new-co, Audatex, a Solera Company, was established as the operating organization. When this transaction occurred, it triggered two provisions of our Co-Marketing Agreement with ADP. The first one was our right to terminate the exclusivity clause and the second was the need for us to give consent to ADP for the assignment of our Co-Marketing Agreement to another organization.

Since the closing of the transaction, the Audatex organization has had a major restructuring of its personnel, including many of the key personnel associated with our program. As a result of the aforementioned circumstances, on May 1, 2006, we chose to withhold the consent of assigning our agreement to Audatex and elected to terminate the exclusivity clause with ADP Claims Services Group. Our mutual expectation to have significant growth with this channel partner in fiscal 2007 never materialized as new management of Audatex does not and will not operate under the same strategic initiatives that it did when owned by ADP and we have maintained our right for a non-exclusive relationship. Consequently, we have begun a new co-marketing relationship with Mitchell International that will provide us an estimatics platform and other cutting edge management software applications which will enhance our shop capabilities.

Specifically, management is taking the following actions that are expected to positively impact our financial position in fiscal 2007:

Grow direct sales channel.

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

Grow the number of Tier One Insurance providers.

Expand our offerings of newly enhanced applications and tools to our existing client base on an ASP transactional basis.

Explore possible new or additional strategic partners in the industry who have a large client base and represent additional new sales with a short sales cycle & acquisition cost.

Convert our core application to a more scalable program language with a universal interface.

20

Table of Contents

Roll out higher margin product lines. Management continues to make progress in building our operating margins by focusing on higher margin products and leveraging internally developed ASP/technologies that will allow other companies in related industries to significantly reduce labor costs and improve operating efficiencies, as is the case with Audit Pro , a programmatic electronic estimate auditing tool. We will release AuditPro Enterprise this year as a stand alone rules based application that can be bolted on any existing policy management software or integrated with newly developed claims modules. Many of these technologies have already been implemented in our operating processes and have shown themselves to be of significant value. By modifying the interface to these technologies, we can produce significant click fee revenue without adding significant operating costs. The target market for these technologies will include a wide range of organizations, including the largest (Tier 1) insurance companies.

Develop and deploy specialized niche programs that will require us to manage loss reserves on fleet generated risks.

Expand market driven offerings. We are exploring new product lines to offer our shop network to the general public. We intend to put up a B2C product by December of this year which will allow the general public to enroll their vehicles into a program offering repairs on damaged vehicles at a discounted rate.

Reduce direct processing expense. We will continue an initiative into automating additional parts of our processing business. We expect the end result will be a net reduction in direct expense.

Previously increased working capital. In fiscal 2007, as part of a special warrant exchange program, a significant number of outstanding warrants were exercised by current investors. This resulted in our receiving approximately \$1.5 million of additional capital. While we believe that this will be sufficient for our working capital needs for the foreseeable future, we continue to explore all options in the event additional financing becomes necessary.

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and the results of our operations are based upon our consolidated financial statements and the data used to prepare them. Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. On an ongoing basis we re-evaluate our judgments and estimates including those related to revenues, bad debts, long-lived assets, and income taxes. We base our estimates and judgments on our historical experience, knowledge of current conditions and our beliefs of what could occur in the future considering available information. Actual results may differ from these estimates under different assumptions or conditions. Our estimates are guided by observing the following critical accounting policies.

Revenue recognition:

We derive revenue primarily from collision repairs, glass repairs and fleet repairs. Revenue is recognized when an agreement between us and our customer exists, the repair services have been completed, our revenue is fixed and determinable and collection is reasonably assured.

Revenue is recorded at gross in the areas of collision and fleet repairs. It also is recorded at gross in certain glass repair transactions. Revenue is recorded at gross in these areas when:

We are the primary obligor in the arrangements. We are responsible for the quality of the repair and must satisfy the customer if the body shop fails to repair the vehicle properly.

We have latitude in establishing price. The price is established based on our audit of the repair estimate submitted by the repair facility. The repair facility cannot begin the repair until an agreed upon price is established between the facility and us.

We control what is repaired with the contracted shops, as we audit the estimate submitted by the repair facility. We must agree that the repair is reasonable and necessary before the repair facility is allowed to proceed with the work being requested.

We have discretion in supplier selection. Through the use of software, we prioritize which repair facility is used based on the efficiency and effectiveness of the repair facility, and

We have credit risk. We are responsible to pay the repair facility even if the customer does not pay for the repair.

21

Table of Contents

We record revenue net of the repair costs in certain glass transactions when the supplier, not us, is the primary obligor in an arrangement, the amount we earn is fixed or the supplier has credit risk. This occurs when the repair has been performed before it is referred to us. When we receive notice of the transaction, we call the glass repair facility to ask them to become part of our network and to negotiate a better price on the repair. If we are able to negotiate a better price for the customer we keep a portion of the added discount. In that situation the revenue is recorded net of the repair costs even though we pay for the entire claim and are reimbursed by the insurance company, since we did not have the risk of loss and are not responsible for the repair.

The revenue generated from the co-marketing agreement with Audatex is recorded net of the repair costs because in the agreement we are performing a fee for service. The insurance company is the customer of Audatex, who will be collecting the revenue and paying the shop.

We maintain an allowance for doubtful accounts for losses that we estimate will arise from the customers inability to make required payments. Collectibility of the accounts receivable is estimated by analyzing historical bad debts, specific customer creditworthiness and current economic trends. At July 31, 2007 the allowance for doubtful accounts was approximately \$50,000.

Accounting for Income taxes:

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we consider historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event that we determine that we would be able to realize deferred tax assets in the future in excess of the net recorded amount an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should we determine that we would not be able to realize all or part of the net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made. We have recorded valuation allowances against our deferred tax assets of \$10,903,000 at July 31, 2007. The valuation allowance consists mainly of net operating losses previously realized and stock compensation currently not deductible. The valuation allowance is necessary because the use of these deductions is not reasonably assured since as we are reporting losses.

Valuation of long-lived assets:

We identify and record impairment on long-lived assets, including goodwill, when events and circumstances indicate that such assets have been impaired. We periodically evaluate the recoverability of our long-lived assets based on expected undiscounted cash flows, and recognize impairment, if any, based on expected discounted cash flows. Factors we consider important which could trigger an impairment review include the following:

Significant negative industry trends

Significant underutilization of the assets

Significant changes in how we use the assets or our plans for their use.

At each balance sheet date, we evaluate the valuation of intangible assets. The factors used in this evaluation include: (i) current operating results, (ii) projected future operating results, and (iii) any other material factors that affect the continuity of the business. No charge for impairment of goodwill was deemed necessary as a result of that evaluation as of July 31, 2007.

RESULTS OF OPERATIONS

Fiscal Year Ended July 31, 2007, Compared to Fiscal Year Ended July 31, 2006

REVENUE

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

Total revenue for the year ended July 31, 2007 was approximately \$11.8 million, which consists of approximately \$9.0 million in glass and collision repair management for insurance companies, approximately \$0.9 million in fleet repairs and approximately \$1.9 million in fees and other revenue. Total revenue for the year ended July 31, 2006 was approximately \$14.9 million, which consists of approximately \$11.2 million in glass and collision repair management for insurance companies, approximately \$0.9 million in fleet repairs and approximately \$2.8 million in fees and other revenue. Total revenues decreased approximately \$3.1 million or 20.7% as compared to the approximately \$14.9 million for the year ended July 31, 2006. The decrease in total revenue is due to the fact that our largest client, from whom we received 38% of our business in the year ended July 31, 2007, completed their business migration off of our platform, thus ending our contractual relationship.

Collision repair management revenue decreased approximately \$2.2 million to approximately \$9.0 million for the year ended July 31, 2007 compared to approximately \$11.2 million for the year ended July 31, 2006. The decrease in collision management revenue is the result of the loss of our largest client, which is described above. Included in the total collision management revenue is revenue earned from repairs processed for clients acquired as a result of the Audatex Co-Marketing Agreement. As previously disclosed, this revenue is recorded at net, which significantly reduces the amount of gross revenue reported, although the overall gross margin is increased as a result of not having to pay the shops for the work performed. In the year ended July 31, 2007, we earned approximately \$780,000 in net revenue from clients acquired as a result of the agreement with Audatex. This additional revenue resulted in the gross margin percent for collision management, exclusive of fees, to increase from 13% to 18% for the year ended July 31, 2007.

Fleet repair revenue was approximately \$902,000 for the year ended July 31, 2007 as compared to approximately \$917,000 for the year ended July 31, 2006. This slight decrease represents normal business fluctuations from our existing customers.

Fees and other revenue decreased approximately \$.9 million from \$2.8 million for the year ended July 31, 2006 to \$1.9 million for the year ended July 31, 2007. This decrease is primarily the result of earning less revenue this year from current clients for taking first notice of loss reports, decreased estimatic sales revenue and less transaction fee revenue. In the year ended July 31, 2007 and 2006, we earned approximately \$284,000 and \$562,000 respectively, of revenue from our clients by taking first notice loss reports. Of the first notice revenue earned in fiscal 2006, the majority was earned as a result of taking reports for losses incurred as a result of damages sustained by consumers due to the hurricanes of 2005. The sales of estimatic software also decreased by approximately \$268,000 for the year ended July 31, 2007 as compared to the year ended July 31, 2006. This decrease is due in part to lower unit sales, but a portion of the decrease is a result of a change in our method of selling the estimatic units, which was implemented in the fourth quarter of fiscal 2007. Under the new method, we will receive a sales commission for the units sold which will reduce the amount of gross revenue per unit that will be reported in the future. Transaction and file handling fee revenue decreased by approximately \$350,000 for the year ended July 31, 2007 as compared to the year ended July 31, 2006. This was primarily the result of the loss of business from our largest customer, as described above.

EXPENSES

Claims processing charges include the costs of collision, fleet and glass repairs paid to repair shops within our repair shop network, as well as the cost of the estimating software sold to our network of shops. Claims processing charges for the fiscal year 2007 were approximately \$8.1 million, or 69% of total revenue, compared to \$10.2 million, or 69% of total revenue in fiscal 2006. The reduction in claims processing charges in fiscal year 2007 as compared to fiscal year 2006 is consistent with the reduction in revenue for the same periods as previously reported.

We currently have approximately 2,500 affiliated repair facilities in our network for claims repairs. We electronically and manually audit individual claims processes to their completion using remote digital photographs transmitted over the Internet. We are dependent upon these third party collision repair shops for insurance claim repairs. If the number of shops or the quality of service provided by collision repair shops fall below a satisfactory level leading to poor customer service, this could have a harmful effect on our business. We control our service requirements by continually monitoring customer service levels and providing staff inspections of our network shops and, if required, establish similar relationships with other collision repair shops.

Table of Contents

Selling, general and administrative (SG&A) expenses is mainly comprised of salaries and benefits, facilities related expenses, telephone charges, professional fees, advertising costs and travel expenses. SG&A expenses for the year ended July 31, 2007 were approximately \$5.5 million or 47% of revenue compared to approximately \$6.5 million or 44% of revenue for the year ended July 31, 2006. Included in this total, during the year ended July 31, 2007 and 2006 we incurred payroll related expenses of approximately \$ 3.7 million and approximately \$4.5 million, respectively. The decrease in payroll expenses in fiscal 2007 as compared to fiscal 2006 was partially due to having fulfilled the stock compensation requirements in certain executive employment agreements of approximately \$728,000 in fiscal 2006. Also, in response to the realization of decreased revenue caused by the loss of our largest client in April 2007, we reduced our staff by approximately 25%. We also incurred one time costs of approximately \$263,000 in expenses associated with the termination of certain management contracts as part of the staff reductions. These costs partially offset the approximately \$300,000 reduction in payroll costs we attained in the fourth quarter of fiscal 2007 as a result of the staff reductions. In addition to payroll costs, we also incurred additional costs of approximately \$130,000 associated with various consulting expenses in fiscal 2007 as compared to fiscal 2006. We realized a decrease of approximately \$181,000 in fiscal 2007 as compared to fiscal 2006 for telephone expenses as a result of the restructuring of our various telephone contracts. Although we incurred higher rent expense in fiscal 2007 as a result of our new lease agreement, we reduced the net rent expense by approximately \$31,000 as compared to fiscal 2006 as a result of realizing the gain on our building sale-leaseback transaction. We also recorded lesser expenses in fiscal 2007 as compared to 2006 in the areas of insurance, postage and other miscellaneous expenses.

SG&A expenses for the year ended July 31, 2007 included non-cash expenses, excluding charges for depreciation and changes to the bad debt reserve, of approximately \$379,000. These non-cash charges include approximately \$420,000 for stock issued to directors for board services and stock issued in accordance with management employment agreements, approximately \$19,000 for expensing of stock options as required by SFAS123R (revised 2004), approximately \$46,000 for the issuance of new warrants in connection with a warrant exercise program and approximately \$1,500 for amortization of the discount on the notes payable. We also realized a reduction to non-cash expense of approximately \$108,000 as a result of recognizing the gain on our building sale-leaseback transaction. Non-cash expenses for the year ended July 31, 2006, excluding depreciation and changes to the bad debt reserve, totaled approximately \$766,000. These non-cash charges included approximately \$794,000 for stock issued to directors for board services and stock issued in accordance with management employment agreements, approximately \$34,000 for expensing of stock options in accordance with SFAS123R (revised 2004), and approximately \$900 for stock issued in lieu of a cash interest payment. We also realized a reduction to non-cash expense of approximately \$63,000 as a result of recognizing the gain on our building sale-leaseback transaction.

Also included in the SG&A expense for the year ended July 31, 2007, was interest expense of approximately \$29,000 and \$21,000 which was recorded for capital leases and outstanding notes payable, respectively. In the year ended July 31, 2006 interest expense was approximately \$43,000, of which approximately \$15,000 relates to interest on a bridge loan, and approximately \$28,000 for interest expense relating to capital leases. We earned approximately \$35,000 in interest income on our cash reserves in the year ended July 31, 2007 compared to approximately \$9,000 interest income earned in the year ended July 31, 2006.

Depreciation of property and equipment of approximately \$455,000 was recognized in the year ended July 31, 2007. This was compared to approximately \$459,000 of depreciation in the year ended July 31, 2006.

NET LOSS

We recognized a net loss of approximately \$379,000 and \$2.3 million for the years ended July 31, 2007 and 2006, respectively. The fiscal year 2007 loss includes approximately \$1.9 million of gain which represents previously reserved advance payments that are deemed no longer valid due to age and releases obtained on terminated contracts. This net loss also includes approximately \$108,000 and \$63,000 of gain recognized on our building sale-leaseback transaction for the years ended July 31, 2007 and 2006, respectively. Also included in the net loss number are

non-cash expenses of approximately \$713,000 and \$1.2 million for the years ended July 31, 2007 and July 31, 2006, respectively.

24

Table of Contents

LIQUIDITY AND CAPITAL RESOURCES

At July 31, 2007, we had cash of approximately \$800,000 compared to approximately \$1.5 million at July 31, 2006, a decrease of approximately \$700,000 from last year. We had a working capital deficiency of approximately \$1.7 million as of July 31, 2007 compared to \$2.4 million as of July 31, 2006, an improvement in the deficit of approximately \$.7 million. Other than working capital generated from operations, our primary source of working capital during the fiscal year ended July 31, 2007, was from proceeds received from investors upon the exercise of outstanding warrants.

During the year ended July 31, 2007 we received approximately \$1.5 million from investors who exercised outstanding warrants. These warrants were exercised in June 2007 as part of a special warrant exchange program.

We continue to analyze our operations and streamline where appropriate. We made significant reductions to our staff in fiscal year 2007 and our ability to make additional significant cost cuts is limited. Also, such cost cutting programs are potentially counterproductive to our long term best interests because such cost cutting results in the loss of our valued employees and could impair new product initiatives. If revenues grow they will provide working capital, but because revenue growth is not guaranteed, we continue to analyze options for additional financing. We cannot assure you that we will be able to raise such funds or that such funds will be available to us on favorable terms. If we raise additional funds through the issuance of our securities, such securities may have rights, preferences or privileges senior to those of the rights of our common stock and our stockholders may experience additional dilution.

We believe that cash generated from operation, will be sufficient to meet our working capital requirements for the next 12 months. This estimate is a forward-looking statement that involves risks and uncertainties. The actual time period may differ materially from that indicated as a result of a number of factors so that we cannot assure you that our cash resources will be sufficient for anticipated or unanticipated working capital and capital expenditure requirements for this period. In addition, we have secured a commitment from a majority shareholder, the Chairman of the Board of Directors to purchase \$2 million of the Company's common stock if the Company needs additional financing.

We remain optimistic about our long term business prospects. However, we still face significant obstacles to achieve profitability. We anticipated that in fiscal 2007 we would begin to roll out a substantial volume of repairs pursuant to our ADP/Audatex Co-Marketing Agreement and have new revenue streams created by new accounts including Fireman's Fund neither of which actually occurred. We have invested a significant amount of our working capital, technical infrastructure and personnel time in preparing the Company for the contract with Fireman's Fund. Our financial and personnel commitment to the Fireman's Fund account combined with the prior loss of revenue from our largest customer due to the sale of part of their business has created the working capital pressures we experienced during fiscal 2007 and will likely continue to experience during at least the first half of fiscal 2008. The prospects of any success from the Audatex relationship seem remote and the Fireman's Fund business only began production of claims volume in September of 2007 some seven months later than expected.

Table of Contents**DEBT AND CONTRACTUAL OBLIGATIONS**

Our commitments for debt and other contractual arrangements as of July 31, 2007 are summarized as follows:

	Years ending July 31,		2010	2011	2012	Thereafter	Total
	2008	2009					
Property lease	\$273,000	\$282,000	\$290,000	\$299,000	\$308,000	\$103,000	\$1,555,000
Equipment lease	115,000	102,000	97,000				314,000
Notes payable	550,000						550,000
Employee compensation	569,000	432,000	130,000				1,131,000
	\$1,507,000	\$816,000	\$517,000	\$299,000	\$308,000	\$103,000	\$3,550,000

We lease equipment and facilities under non-cancelable capital and operating leases expiring on various dates through 2012. The main operating lease consists of a 7-year lease for 30,000 square feet of a 62,000 square foot facility. Our rent, including applicable taxes, in fiscal year 2007 was \$22,336 per month and increases 3% each year through the remaining life of the lease.

In April 2007, we entered into a new eighteen month employment agreement with our President and Chief Executive Officer. The agreement specifies an annual base salary of \$150,000. The CEO will also receive a \$750 per month auto allowance and a \$1,000 per month personal allowance. If the CEO is terminated for any reason other than for cause or change of control during the term of the agreement, he will receive a lump sum payment equal to one (1) times the current base salary.

In January and March 2007 the Company entered into employment agreements ranging in length from twenty-four to twenty-seven months with both of the Company's current officers that range from \$125,000 to \$132,000 annually. These executives also receive automobile allowances of \$400 per month. If their contracts are not renewed they receive severance packages of between six and nine months of their annual compensation.

INFLATION

We believe that the impact of inflation and changing prices on our operations since the commencement of our operations has been negligible.

SEASONALITY

We typically experience a slow down in revenue during November and December each year because consumers tend to delay repairing their vehicles during the holidays.

ITEM 7. FINANCIAL STATEMENTS

The financial statements to be provided pursuant to this Item 7 begin on page F-1 of this Report, following Part III hereof.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

26

Table of Contents

ITEM 8A. CONTROLS AND PROCEDURES

- (a) Evaluation of disclosure controls and procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of July 31, 2007. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective such that the material information required to be included in our Securities and Exchange Commission (SEC) reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms relating to eAutoclaims, Inc., and was made known to them by others within those entities, particularly during the period when this report was being prepared.

Our management, including the principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures will prevent all error and fraud. A control system, no matter how well conceived and operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

(b) Changes in internal controls over financial reporting.

In addition, there were no significant changes in our internal control over financial reporting that could significantly affect these controls during fourth quarter ended July 31, 2007. We have not identified any significant deficiency or material weaknesses in our internal controls, and therefore there were no corrective actions taken.

ITEM 8B. OTHER INFORMATION

None.

27

Table of Contents

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS, CONTROL PERSONS AND CORPORATE GOVERNANCE; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The names, ages and respective positions of the Executive Officers and Directors of the Company are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Jeffrey D. Dickson	64	Chief Executive Officer, President and Director
Larry Colton	58	Chief Financial Officer
Donald Thomas	41	Chief Information Officer
William Austin Lewis IV	31	Chairman of the Board of Directors
Eric Seidel	44	Vice Chairman of the Board of Directors
Christopher Korge	53	Director
John K. Pennington	52	Director

Because we are a small company, we are currently dependent on the efforts of a limited number of management personnel. We believe that, given the development stage of our business and the large amount of responsibility being placed on each member of our management team, the

loss of the services of any member of this team at the present time would harm our business. Each member of our management team supervises the operation and growth of one or more integral parts of our business.

The Chief Executive Officer/President is elected and can be removed by the Board of Directors. Directors are elected at the annual meeting of shareholders to serve for their term and until their respective successors are duly elected and qualify, or until their earlier resignation, removal from office, or death. The remaining directors may fill any vacancy in the Board of Directors for an unexpired term.

Business Experience of Executive Officers and Directors

Jeffrey D. Dickson has been President and Chief Executive Officer and director since January, 2007. Prior to that time Mr. Dickson served as our Chairman of the Board of Directors since June 2000. From May 1997 through November 1999, Mr. Dickson was the President and Chief Executive Officer of First American AMO. From February 1995 through May 1997, Mr. Dickson was the President and Chief Operating Officer of Salex Corporation. Mr. Dickson has served as an Executive Vice President of the American Bankers Insurance Group and President of Interloc Corp. Mr. Dickson has a BA in History from University of Colorado and is a graduate of the PMD program of the Harvard Graduate School of Business.

Larry Colton, Chief Financial Officer. Mr. Colton became our Chief Financial Officer on May 1, 2005. Prior to becoming CFO, Mr. Colton was the Controller of eAutoclaims since December 2000. He has over 25 years experience in accounting and finance, having held a variety of positions in several industries. Between December 1997 and December 2000, prior to joining eAutoclaims, Mr. Colton was Vice President of an asset management division of Sky Financial Group. He holds a bachelor's degree from Elmhurst College and a Masters of Business Administration degree from Northern Illinois University.

Donald Thomas, Chief Information Officer. Mr. Thomas joined eAutoclaims, Inc. on January 8, 2007. Prior to that Mr. Thomas spent the previous nine years at Fidelity National Information Services where he held a variety of positions in the Information Technology field, the most recent being Assistant Vice President of Technology. Mr. Thomas earned a BS in Computer Science from UCLA.

William Austin Lewis IV was elected Chairman of the Board of Directors in January, 2007 and has been a Director since May, 2006. Since 2004, Mr. Lewis has been the Chief Executive Officer of Lewis Asset Management Corporation, an investment management company headquartered in New York. Prior to 2004, Mr. Lewis was an Account Manager for an investment partnership focusing on technology and research in various investment banking situations. Mr. Lewis holds a Bachelor of Science in Finance and a Bachelor of Science in Financial Economics from James Madison University.

28

Table of Contents

Eric Seidel has been a director and our Vice Chairman of the Board of Directors since January 2007. Prior to that Mr. Seidel was our Chief Executive Officer and President since June 1, 2000. From January 1, 2000 through May 31, 2000, Mr. Seidel was the Chief Executive Officer and President of eAutoclaims, Inc., a privately held Delaware corporation, which merged with us. From September 1997 through December 1999, Mr. Seidel was employed as a senior executive officer of First American AMO. From August 1995 through June 1997, Mr. Seidel was a senior executive at Salex Corporation; a fleet management company serving Fortune 500 companies, where, among other responsibilities he was responsible for insurance company services. Mr. Seidel is a past president of the U.S. Junior Chamber of Commerce and currently serves as

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

Chairman of the Upper Tampa Bay Regional (UTBR) Chamber of Commerce's Trustee Counsel and as a member of the Executive Committee as Treasurer of the UTBR Chamber of Commerce.

Christopher Korge has been a director since June 2000. He is the managing partner at the law firm of Korge & Korge, P.A. in Miami, Florida. He received his J.D. degree from Temple School of Law in 1981 and B.S. in Business Administration, from the University of Florida, in 1977. Mr. Korge's firm represents numerous Fortune 500 corporations. Mr. Korge serves on numerous boards of directors and is a major shareholder in various companies including two housing development companies, and one E-commerce company, Intune Group, of which he is Chairman. Mr. Korge is Finance Vice Chairman of the Democratic National Committee. He is past Co-Chair of the Democratic National Committee Business Council.

John K Pennington has been a director of eAutoclaims since October 2004. He is founder, president and director since 2002 of Advantage Fund G.P. Limited, which acts as general partner of Canadian Advantage Limited Partnership and VC Advantage Limited Partnership, two large technology investment funds. He is also founder, president and director since 2001 of Canadian Equity Resources Corporation, a private investment firm. He holds a Bachelor of Arts (Economics) from Queen's University, Kingston, Ontario, Canada and a Master of Business Administration from the University of Western Ontario, London, Ontario, Canada.

Election and Number of Directors

Our Bylaws fix the size of the Board of Directors at no fewer than three and no more than nine members, to be elected annually by a plurality of the votes cast by the holders of Common Stock, and to serve until the next annual meeting of stockholders and until their successors have been elected or until their earlier resignation or removal. Currently there are two Committees of the Board of Directors.

Board of Directors Meetings

Our Board of Directors held eight (8) meetings during the fiscal year ended July 31, 2007. Each of our directors attended all eight meetings.

Audit Committee

The Audit Committee, which held four meetings during fiscal 2007 to review the three 10QSBs and one 10KSB, acts on behalf of the Board to oversee all material aspects of the Company's reporting, control and audit functions. The Audit Committee's role includes a particular focus on the qualitative aspects of financial reporting to shareholders and on Company processes for the management of the business/financial risk and for compliance with significant applicable legal, ethical and regulatory requirements. In addition, the Audit Committee reviews the adequacy of internal account, financial and operating controls and reviews the Company's financial reporting compliance procedures. From August 1, 2006 through May 31, 2007 Mr. Pennington was Chairman of the Audit Committee and served with Mr. Korge and Mr. Dickson. From June 1, 2007 through the end of the fiscal year Mr. Pennington was Chairman of the Audit Committee and served with Mr. Lewis and Mr. Korge. None of our Audit Committee members is a financial expert as defined under Item 401(h) of Regulations S-B. However, currently all Audit Committee members are not part of the Company's management. We are an OTC:BB issuer and, accordingly, are not currently required to have a financial expert on our board.

Table of Contents

Compensation Committee

The Compensation Committee, which held two meetings during fiscal 2007 to review compensation issues, sets policy for compensation of all senior management and directors. From August 1, 2005 through May 31, 2007 Mr. Trbovich Jr. served as the Chairman of the Compensation Committee and served with Mr. Dickson and Mr. Korge. From June 1, 2007 through the end of the fiscal year Mr. Seidel was Chairman of the Compensation Committee and served with Mr. Lewis and Mr. Korge. See Board Compensation Committee Report on Executive Compensation.

Nominating Committee

We do not currently have a standing nominating committee of the Board of Directors. The entire board of directors acts as the nominating committee.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all eAutoclaims employees and Board of Directors, including our principal executive officer and principal financial officer, or persons performing similar functions. We have posted the Code of Business Conduct and Ethics and related amendments or waivers, if any, on our website at www.eautoclaims.com. Information contained on our website is not a part of this report. Copies of our Code of Business Conduct and Ethics will be provided free of charge upon written request to eAutoclaims, Inc., 110 East Douglas Road, Oldsmar, Florida 34677, attention: Larry Colton.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of the Forms 3, 4 and 5 filed during fiscal 2007 the registrant reasonably believes, except as described below, that each person who, at any time during the current fiscal year, was a director, officer, or beneficial owner of more than 10% of our common stock filed the appropriate form on a timely basis with respect to changes in such owner's beneficial ownership of our common stock. Mr. Mattingly was delinquent in his Form 4 filing regarding the sale of 7,500 shares of common stock that occurred on or about December 19, 2006.

ITEM 10. EXECUTIVE COMPENSATION

The following table shows the compensation paid or accrued by us for the fiscal years ended July 31, 2007 and 2006 to or for the account of: a) our Chief Executive Officer, b) each of our two (if applicable) most highly compensated executive officers who were serving as executive officers at the end of the most recently completed fiscal year and whose salary and bonus exceeded \$100,000 per year or c) any additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as an executive officer of our company at the end of the most recently completed fiscal year (collectively, the Named Executive Officers).

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock	Option	All Other	Total (\$)
				Awards (\$)	Awards (\$)	Compensation (\$)	
Jeffrey D. Dickson (1) President and CEO	2007	119,297		29,750	468	6,250	155,765
Eric Seidel (2) (3) President and CEO	2007	124,558				61,469	186,027
	2006	182,974		310,000		12,000	504,974
Larry Colton (5) CFO	2007	122,328		7,800		4,800	134,928
	2006	100,932		38,100			139,032

30

Table of Contents

- (1) Mr. Dickson became CEO in January, 2007. From August 2006 until January 2007, he was Chairman of the Board. The Stock Award of \$29,750 and the Option Award of \$468 were compensation Mr. Dickson received while serving in the capacity of Chairman of the Board. All Other Compensation represents a monthly \$750 auto allowance and a monthly \$1,000 personal allowance paid to him after becoming CEO.
- (2) Mr. Seidel was CEO from August, 2006 until January 2007, after which he became Vice Chairman of the Board of Directors. Mr. Seidel will receive his annual salary of \$170,000 through April, 2008 according to the terms of his employment agreement.
- (3) All Other Compensation for 2007 represents \$45,769 paid to Mr. Seidel after April 2007 according to the terms of his employment agreement and \$15,700 which represents a \$750 monthly auto allowance and a \$1,000 monthly personal allowance paid while he was CEO.
- (4) Represents the stock-based compensation recognized in fiscal 2007 in accordance with SFAS No. 123(R). Option awards are valued at the fair value on the grant date using the Black-Scholes model. Assumptions made in the valuation of options are discussed in Note 2 to the financial statements.
- (5) All Other Compensation represents a \$400 monthly auto allowance.
- (6) Stock awards for Mr. Seidel and Mr. Colton were paid in accordance with their employment agreements.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

The following table presents information regarding outstanding options held by our named executive officers as of the end of our fiscal year ended July 31, 2007.

Option Awards				Stock Awards				
Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised	Option Exercise Price	Option Expiration	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares,

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

Name	Options			Date	Rights That Have Not Vested	Units or Other Rights That Have Not Vested
	Exercisable	Unexercisable (#)	(\$)			
J. Dickson	200,000		0.01	4/09/2011		
	12,500		0.30	1/31/2011		
	12,500		0.27	4/28/2011		
	12,500		0.16	7/31/2011		
	12,500		0.15	10/31/2011		
E. Seidel	40,000		0.10	12/21/2007		
	50,000		0.15	4/07/2008		
	25,000		0.21	5/16/2008		
	25,000		0.39	6/15/2008		
	25,000		0.50	7/25/2003		
	25,000		0.32	9/26/2008		
	25,000		0.35	11/01/2008		
	25,000		0.32	11/15/2008		
L. Colton	20,000		0.15	12/21/2007		

31

Table of Contents

DIRECTOR COMPENSATION

The following table presents information regarding compensation paid to our non-employee directors for our fiscal year ended July 31, 2007.

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-Qualified Compensation Earnings	All Other Compensation	Total
William Austin Lewis (2)		38,000	662			115,507	154,169
Christopher Korge		44,000	662				44,662
John Pennington		44,000	386				44,662
Nicholas Trbovich Jr. (1)		39,250	662				39,912

(1) Mr. Trbovich resigned as Director in May, 2007

(2) Mr. Lewis received \$30,000 paid in stock upon becoming Chairman of the Board in January, 2007 plus \$85,507 paid in stock for consulting services rendered throughout the fiscal year 2007

(3)

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

Option awards are the amount recognized in fiscal year 2007 as computed in accordance with SFAS123(R). Option awards are valued at the fair value on the grant date using the Black-Scholes model. Assumptions made in the valuation of options are discussed in Note 2 to the financial statements.

NARRATIVE DISCLOSURE TO DIRECTOR COMPENSATION TABLE

Our outside Directors were paid an annual retainer of \$25,000 each during the fiscal year ended July 31, 2007. All of the Directors receiving retainers were paid in Company Stock for these retainers. In addition, each Director was entitled to \$1,250 worth of Common Stock to be issued on a quarterly basis at the fair market value as of the end of each quarter. The outside Directors and Chairman of the Board also receive \$6,000 per year for attending board meetings and \$4,000 per year for attending committee meetings. The committee fee is raised from \$4,000 to \$8,000 per year, if they are the Chairperson of the committee. All of these fees were paid in Company Stock. If the Directors do not attend one or more committee or board meetings, their compensation is reduced accordingly.

The outside Directors and Chairman of the Board are also compensated with stock options at various points throughout the year. All these options have an exercise price set at the fair market value of the stock on the date of the granting of the option. The options vest after one year and have a term of five years. For the fiscal year ended July 31, 2007, the outside Directors and Chairman of the Board received 12,500 options each quarter, which were issued on October 31, 2006, January 31, 2007, April 30, 2007 and July 31, 2007 at exercise prices of \$0.15, \$0.16, \$0.13 and \$0.16, respectively.

Employment Contracts and Other Arrangements

In April 2007 the Company entered into a new eighteen month employment agreement with its President and Chief Executive Officer. The agreement specifies an annual base salary of \$150,000, and, if the Company generates positive cumulative EBITDA of greater than \$50,000 for any three consecutive months, the base salary will be increased to \$200,000. The CEO will be entitled to receive quarterly bonus compensation in an amount approved by the Company's Board of Directors based upon the performance criteria as may be established by the Compensation Committee from time to time. Such bonuses, which at no time may be less than 3% of the Company's EBITDA as computed under GAAP, may be paid in cash or issued in shares of the Company's common stock as elected by the CEO. The CEO shall also be entitled to receive an option to purchase 25,000 shares of the Company's common stock, exercisable at the fair market price, for each month the Company has net income of a minimum of \$10,000 as computed in accordance with GAAP. These options vest over the remaining term of the employment agreement. The CEO is entitled to a \$750 per month automobile allowance and a \$1000 per month personal allowance. If the CEO's employment is terminated for any reason other than cause, the CEO will receive a lump sum payment equal to one (1) times the current base salary. If the CEO's employment is terminated by the Company after a Change of Control, the CEO will receive a lump-sum payment equal to 2.99 times the current base salary.

32

Table of Contents

In March 2007 the Company entered into a twenty-four month employment agreement with its Chief Financial Officer, Mr. Larry Colton. Mr. Colton currently receives a base salary of \$125,000 and a \$400 monthly automobile allowance. If his contract is not renewed he will receive a severance package equal to nine months of his annual compensation.

Change of Control Shares

On March 27, 2003, as part of an employee and board member retention program the Board of Directors voted to grant certain employees a total of 2,000,000 shares of our common stock or equivalent consideration thereof and the current and future board members 1,000,000 common shares if there is a change in control of greater than 50% ownership of the Company or a sale of all or substantially all its assets. Only those employees and board members employed or on the board at the time of the change will participate in the compensation.

Board Compensation Committee Report on Executive Compensation

The Compensation Committee of the Board of Directors administers our Chief Executive Officer's compensation package. The committee reviews, recommends and approves changes to our compensation policies and programs, makes recommendations to the Board of Directors as to the amount and form of executive officer compensation, and administers our stock option plans.

General Compensation Philosophy. Our compensation programs are designed to directly align compensation with individual performance and stockholder value. These programs enable us to attract, retain and reward executives and employees needed to accomplish our goals. The committee believes that executive pay should be linked to our overall performance. Therefore, we provide an executive compensation program, which includes base pay, long-term incentive opportunities through the use of stock options, shares and, in some cases, cash bonuses.

Base Salary. Base salary is designed primarily to be competitive with base salary levels in effect at high technology companies that are of comparable size and with which we compete for executive personnel. Base salary is set annually based on job-related experience, individual performance and pay levels of similar positions at comparable companies. Salaries for executive officers were generally determined on an individual basis by evaluating each executive's scope of responsibility, performance, prior experience and salary history, as well as salaries for similar positions at comparable companies.

Cash Performance Awards. Management believes that cash performance awards, such as bonuses, should be tied to achievement of performance goals established by the committee. On June 2, 2003 the board approved a bonus plan based on achieving certain levels of profitability. If the management team achieves earnings per share of \$0.01 to \$0.10 per share then current senior managers will split a total bonus pool ranging from \$10,000 to \$100,000 based on the level of profitability. The computation was tied to profitability to directly tie the employee bonuses to goals that will enhance shareholder value.

Stock Options. In order to link the interests of our stockholders and senior management, we issue stock options. We believe that the practice of granting stock options is critical to retaining and recruiting the key talent necessary at all employee levels to ensure our success. Stock options generally have value for executive officers only if the price of our Common Stock increases above the fair market value of a share of Common Stock on the grant date and the officer remains in our employ for the period required for the options granted to such person to vest.

The number of shares subject to stock options granted is within the discretion of the Compensation Committee. In determining the size of stock option grants, the Compensation Committee considers the officer's responsibilities, the expected future contribution of the officer to the Company's performance and the number of shares, which continue to be subject to vesting under outstanding options. Stock options typically have been granted to executive officers when the executive first joins the Company. At the discretion of the Committee, executive officers may also be granted stock options to provide greater incentives to continue their employment with the Company and to strive to increase the value of the Company's Common Stock.

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

Compensation for the Chief Executive Officer. Mr. Dickson's base salary for the fiscal year 2007 was determined by the employment agreement with Mr. Dickson which began in April 2007. The Compensation Committee believes that the employment agreement terms are in a manner consistent with the factors described above for all executive officers.

33

Table of Contents

Internal Revenue Code Section 162(m) Limitation. Section 162(m) of the Internal Revenue Code imposes a limit, with certain exceptions, on the amount that a publicly held corporation may deduct in any year for the compensation paid or accrued with respect to its five most highly compensated executive officers. In general, it is the Committee's policy to qualify, to the maximum extent possible, executives' compensation for deductibility under applicable tax laws.

Stock Options

We established the 1998 Stock Option Plan (the "1998 Plan"). The 1998 Plan is intended to provide the employees and directors of the Company with an added incentive to continue their services to the Company and to induce them to exert their maximum efforts toward the Company's success. The 1998 Plan provides for the grant of options to directors and employees (including officers) of the Company to purchase up to an aggregate of twenty percent (20%) of the number of shares of Common Stock in the capital of the Company issued and outstanding from time to time less any shares of Common Stock reserved, set aside and made available pursuant to the terms of the Company's employee share purchase plan (the "Share Purchase Plan") and pursuant to any options for services rendered to the Company. The number of shares of Common Stock subject to options granted to any one person under the Plan, the Share Purchase Plan and options for services rendered to the Company, may not at any time exceed five percent (5%) of the outstanding shares of Common Stock. The 1998 Plan is currently administered by the Board of Directors. The Board determines, among other things, the persons to be granted options under the 1998 Plan, the number of shares subject to each option and the option price.

The 1998 Plan allows the Company to grant Non-Qualified Stock Options ("NQSOs") not intended to qualify under Section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code"). The exercise price of NQSOs may not be less than the fair market value of the Common Stock on the date of grant. Options may not have a term exceeding ten years. Options are not transferable, except upon the death of the optionee.

During the fiscal year ended July 31, 2007 we did not issue any options to employees in accordance with the 1998 Plan. The Board members were issued 200,000 options in accordance with the Board compensation plan. All of these options are subject to vesting and are exercised at the current market price of our stock as of the date of issuance.

We have the right to increase the total amount of options, which may be issued so long as total outstanding options do not exceed 15% of the number of our fully diluted outstanding shares of Common Stock. Furthermore, in lieu of paying cash bonuses, the employees may be issued shares of our Common Stock at the then fair market value in an amount not to exceed 50% of that employee's base salary. All of the options we have issued are subject to immediate vesting and are exercisable in the event of a change of control, which is defined as a sale of substantially all of our assets or a merger in which we are not the surviving entity.

As of July 31, 2007, we have issued, or reserved for issuance, **16,723,961** shares of our Common Stock relating to outstanding options and warrants which are categorized as follows:

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

Options issued to Directors	927,500	(1)
Options issued to Chief Executive Officer	250,000	(2)
Options issued in connection with acquisition of PEC	130,000	(3)
Options issued to Employees	722,848	(4)
Options issued to Consultants	21,429	(5)
Warrants relating to debentures	1,150,000	(6)
Warrants relating to private placement	11,435,309	(7)
Placement Agent warrants	2,086,875	(8)
Total	16,723,961	

- (1) The options issued to our directors have strike prices ranging from \$0.10 to \$0.50 and are exercisable through July 31, 2012.

34

Table of Contents

- (2) Mr. Dickson currently owns the following options with the following terms:

# of Options	Strike Price	# Vested	Expiration Date
200,000	\$0.01	200,000	09/18/06
12,500	\$0.30	12,500	03/27/07
12,500	\$0.27	12,500	12/21/07
12,500	\$0.16	12,500	04/07/08
12,500	\$0.15	0	05/16/08
250,000		237,500	

During fiscal year ended July 31, 2007, Mr. Dickson did not exercise any options and no options were canceled or expired. See Executive Compensation and Directors and Executive Officers Employment Contracts and Other Matters .

- (3) 65,000 options immediately exercisable at \$2.00 per share were issued to each of Randall K. Wright and Reed Mattingly.
- (4) Represents options issued to our employees at exercise prices ranging from \$0.01 to \$0.32. All of these options are currently exercisable.
- (5) 21,429 options with a 5 year term were given to a public relations consultant with an exercise price of \$0.49 per share

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

- (6) Represents warrants issued to the agents of the debenture investors, exercisable at a price range of \$0.16 to \$0.63 per share, with a term of 10 years.
- (7) Represents warrants issued to purchasers of common stock with an exercise price of between \$0.16 and \$0.30 per share, with a term of between 2 and 3 years.
- (8) Represents 1,391,250 placement agent warrants to purchase a unit for \$0.16. Each unit consists of one share of stock and one-half warrant to purchase another share of stock at \$0.30.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table contains information with respect to the beneficial ownership of our Common Stock as of July 31, 2007, by:

- each person who we know beneficially owns more than 5% of our Common Stock;
- each of our directors and each individual who serve as our named executive officers individually; and
- all of our directors and executive officers as a group.

35

Table of Contents

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership	Percentage(2)	
Jeffrey D Dickson (5)	1,983,513	2.12	%
Larry Colton (4)	135,017	0.14	%
Eric Seidel (3)	1,808,375	1.93	%
Christopher Korge (6)	7,177,696	7.66	%
John K. Pennington (7)	655,098	0.70	%
Canadian Advantage Limited Partnership (8)	2,991,504	3.19	%
Advantage (Bermuda) Fund, Ltd. (9)	1,106,447	1.18	%
William Lewis (10)	27,085,495	28.90	%
Directors and officers as a group (6 persons) (11)	42,943,145	45.81	%

- (1) Unless otherwise noted, the Company believes that all persons named in the table have sole voting and investment power with respect to all shares of Common Stock beneficially owned by them. Unless otherwise noted, each such person is deemed to be the beneficial owner of shares of Common Stock held by such person on July 31, 2007, and any shares of Common Stock which such person has the right to acquire pursuant to securities exercisable or exchangeable for, or convertible into, Common Stock, within 60 days from such date. The address of each beneficial owner is in care of the Company, 110 East Douglas Rd, Oldsmar, Florida 34677.
- (2) Based on 93,736,071 shares of Common Stock outstanding at the close of business on July 31, 2007. Excludes: (i) shares currently issuable pursuant to outstanding options issued under Stock Option Plan; (ii) shares issuable upon exercise of other outstanding warrants; and (iii) shares of our Common Stock issuable upon conversion of outstanding convertible notes. This amount excludes shares reserved for outstanding options

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

and warrants. 1,000,000 warrants issued to Mr. Korge were included (see note 6 below).

- (3) Mr. Seidel was issued (i) 400,000 shares of our Common Stock as founder shares, (ii) He acquired 12,341 in open market purchases and, (iii) exercised 1,640,004 of options granted to him by the company, (iv) he subsequently gave up 104,753 in a divorce and sold another 1,230,000 shares, (v) The acquisition of 850,783 shares pursuant to the terms of his employment agreement, (vi) vested options to acquire 240,000 common shares at exercise prices between \$0.10 and \$0.69.
- (4) Mr. Colton s ownership represents, (i) 62,517 common shares acquired through exercising options at \$.01 per share, and (ii) 52,500 shares acquired pursuant to the terms of his employment agreement, and (iii) vested options to acquire up to 20,000 common shares at an exercise price of \$0.15 See Executive Compensation Employment Contracts and Other Matters .
- (5) Mr. Dickson s ownership includes (i) 10,000 shares of our Common Stock issued as founder shares, (ii) 17,504 shares acquired in the open market, (iii) 1,338,509 shares issued to him for his service on the board, (iv) the sale of 320,000 shares (v) the exercise of options to acquire 700,000 shares at an exercise price of \$0.01; (vi) options to acquire up to 200,000 shares of our Common Stock at \$0.01 and (vii) options to acquire 37,500 shares at exercise prices between \$0.16 and \$0.30. This amount excludes options to acquire up to 12,500 common shares at an exercise price of \$0.15 that vest in October 2007.
- (6) Mr. Korge s ownership consists of (i) 488,090 common shares relating to the conversion of \$300,000 of our convertible debentures, which matured on September 30, 2001 at a conversion price of \$0.63, (ii) 835,827 shares issued to him for his service on the board, (iii) 15,000 shares that he purchased on the open market, (iv) 107,527 shares purchased from the Company in August 2003, (v) warrants to acquire up to 1,000,000 shares of our Common Stock at a conversion price of \$0.16 in connection with the issuance of our convertible debentures in 2001, (vi) 892,857 shares of our Common Stock issued in June 2004 in exchange of a convertible debenture (vii) 892,858 shares of our Common Stock issued as a result of the Company not meeting certain claims volume targets in March and August 2005, (viii) 1,785,715 shares of our Common Stock acquired as a result of the exercising of \$0.16 warrants in March 2006, (ix) 625,000 shares acquired as a result of exercising warrants; (x) 22,322 warrants to purchase shares of the Company Stock as part of a warrant exercise program. The warrants are for three years and have a conversion price of \$0.30; (xi) 312,500 warrants to purchase shares of the Company stock as a part of a warrant exercise program. The warrants are for three years and have a conversion price of \$0.16 and (xii) options to acquire 200,000 shares at exercise prices between \$0.13 and \$0.45 for services as a director. This amount excludes unvested options to acquire up to 50,000 common shares at exercise prices of \$0.13 to \$0.16, which vest through July 31, 2008.
- (7) Mr. Pennington s ownership represents (i) 567,598 shares issued to him for his service on the board and (ii) options to acquire 87,500 shares at exercise prices between \$0.14 and \$0.30. This amount excludes unvested options to acquire up to 50,000 common shares at exercise prices of \$0.13 to \$0.16, which vest through July 31, 2008.
- (8) Represents 2,991,504 shares as reported on a Schedule 13D on or about July 31, 2007. John Pennington has investment decision-making authority for this entity.
- (9) Represents 1,106,447 shares as reported on a Schedule 13D on or about July 31, 2007. John Pennington has investment decision-making authority for this entity.
- (10) Mr. Lewis ownership consists of (i) 4,000,000 shares purchased from the Company in January, 2005, (ii) 9,696,815 shares purchased on the open market, (iii) 1,346,422 shares purchased from a third party investor in July, 2005 as a result of that investor s conversion of their preferred stock, (iv) 447,300 shares issued to him for his service on the Company s Board of Directors, to which he was elected in May, 2006 (v) 1,875,000 shares acquired as a result of exercising warrants on April 30, 2007, (vi) 534,420 shares issued to him for consulting services provided to the Company in June 2007 (vii) 5,615,358 shares acquired as a result of exercising warrants in June 2007 as part of a warrant exercise program (viii) 3,557,680 warrants acquired as part of a June 2007 warrant exercise program. The warrants are for 2 years and have an exercise price of \$0.16, (ix) options to acquire 12,500 shares at an exercise price of \$0.16 for services as a director. This amount excludes unvested options to acquire up to 50,000 common shares at exercise prices of \$0.13 to \$0.16, which vest through July 2008.

- (11) Includes outstanding options and warrants to acquire up to 5,852,502 shares of our Common Stock issued to our officers and directors, which are currently exercisable. The total shares include 2,991,504 from Canadian Advantage Limited Partnership and 1,106,447 from Advantage (Bermuda) Fund Ltd for which Mr. Pennington has investment decision-making authority. Mr. Pennington disclaims beneficial ownership of these shares.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

In January 2007, Mr. Jeffrey D. Dickson became President and CEO of eAutoclaims, Inc. Prior to January, Mr. Dickson was the Chairman of the Board of Directors of eAutoclaims, a position he held since December, 1999. During the time Mr. Dickson was Chairman of the Board, in addition to his board duties, Mr. Dickson agreed to provide Mr. Seidel, the then Chief Executive Officer, day-to-day advisory services concerning management, capitalization, corporate structure, organizational, industrial and regulatory issues, for which he was paid a fee according to the terms of the consulting agreement.

As part of this agreement, Mr. Dickson was entitled to a non-interest bearing \$126,500 line of credit that was originally established in fiscal year 2000. No borrowings were made subsequent to September 2002 or will be made in the future under this line of credit. As of July 31, 2006, the loan balance has been paid in full.

In June 2005 Mr. Dickson and the Company terminated the consulting arrangement described above. We subsequently entered into an agreement with a firm, which Mr. Dickson is associated with, to perform basically the same services as were being performed under the previous agreement. We paid an annual fee of \$74,100, payable every two weeks, to this firm. This agreement was replaced with an employment contract effective April 1, 2007 upon Mr. Dickson becoming CEO. Also in April, 2007 Mr. Eric Seidel, the previous CEO, became Vice Chairman of the Board. Mr. Seidel will receive his annual salary, per the terms of his employment agreement, for the next twelve months.

Board of Director Independence

Our Board currently consists of five members, three of whom (Mr. Lewis, Mr. Korge and Mr. Pennington) are non-employee members that the Board has determined satisfies applicable Nasdaq standards for independence. Reference is made to Item 9 of Part III of this Report on Form 10-KSB for additional information about our Board and Board Committees.

ITEM 13. EXHIBITS

- (a) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
1.1	[Reserved]
1.2	[Reserved]
3.1	Articles of Incorporation of Samuel Hamann Graphix, Inc. (Nevada) as amended (1)
3.2	Articles of Merger between Samuel Hamann Graphix, Inc. (Nevada) and Samuel Hamann Graphix, Inc. (California) (1)
3.3	By-laws of Transformation Processing Inc. (Nevada).(1)

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

3.4	Articles of Merger between of TPI (Ontario) and TPI (Nevada) (1)
3.5	Agreement and Plan of Merger by and between Transformation Processing, Inc. and eAutoclaims.com, Inc., dated April 26, 2000 (3)
3.6	Articles of Merger of eAutoclaims.com, Inc., a Delaware corporation with and into Transformation Processing, Inc., a Nevada corporation (5)
3.7	Agreement and Plan of Merger by and among eAutoclaims.com, Inc., a Nevada corporation, eAutoclaims.com Acquisition, a South Carolina corporation, Premier Express Claims, Inc., a South Carolina corporation, and its stockholders, dated June 8, 2000 (2)
3.8	First Amendment to Agreement and Plan of Merger with Premier Claims, Inc., dated June 27, 2000 (2)
3.9	Articles of Merger or Share Exchange between Premier Express, Inc., as the surviving corporation and eAutoclaims.com Acquisition Corporation, filed July 20, 2000 with the Secretary of State of South Carolina (5)

37

Table of Contents

3.10	Promissory Note dated June 27, 2000 between eAutoclaims.com, Inc. and Randal K. Wright and S. Reed Mattingly (2)
3.11	Promissory Note dated June 16, 2000 between eAutoclaims.com, Inc. and Randal K. Wright (2)
3.12.1	Promissory Note dated June 16, 2000 between eAutoclaims.com, Inc. and S. Reed Mattingly (2)
3.12.2	Articles of Amendment to Articles of Incorporation increasing number of authorized shares from 50 million to 100 million and name modification. (12)
4.1	Specimen of Common Stock Certificate (1)
4.2	[Reserved]
4.3	[Reserved]
4.4	The Registrants 1998 Stock Option Plan (4)
4.5	[Reserved]
4.6	Form of Stock Option Agreement to Employees (6)
4.7	Form of Directors Stock Option Agreement (6)
4.8	Form of Non-Qualified Stock Option Agreement (6)
5.1	[Reserved]
10.1	Employment Agreement between eAutoclaims.com, Inc. and Eric Seidel dated February 1, 2000 (5)(9)
10.2	Employment Agreement between eAutoclaims.com, Inc. and Randal K. Wright dated July 1, 2000 (2)(9)
10.3	Employment Agreement between eAutoclaims.com, Inc. and S. Reed Mattingly dated July 1, 2000 (2)(9)
10.4	Employment Agreement between eAutoclaims.com, Inc. and M. Scott Moore dated August 14, 2000 (5)(9)
10.5	Employment Agreement between eAutoclaims.com, Inc. and Gaver Powers dated April 13, 2000 (5) (9)
10.6	Consulting Agreement between eAutoclaims.com, Inc. and Jeffrey D. Dickson dated December 1, 1999 (5)
10.7	Consulting Agreement between eAutoclaims.com, Inc. and Liviakis Financial Communications, Inc. dated February 1, 2000 (5)(9)
10.8	Amendment No. 1 to Consulting Agreement between eAutoclaims.com, Inc. and Liviakis Financial Communications, Inc. dated September 18, 2000 (5)(9)
10.9	Lease Agreement between eAutoclaims.com, Inc. and KWPH, Inc., dated October 17, 2000 (5)(9)
10.10	Service Agreement between eAutoclaims.com, Inc. and WE Securities, Inc. dated August 8, 2000 (5)(9)
10.11	Business Consulting Agreement between eAutoclaims.com, Inc. and TTG LLC dated September 8, 2000 (5)(9)
10.12	Commercial lease dated October 12, 1998 between Premier Express Claims, Inc. and Stephenson Park Associates Limited (5)(9)
10.13	[Reserved]
10.14	Certificate of Full Performance of Proposal Form 46 filed by BDO Dunwoody Limited Trustee dated May 8, 2000 (5)
10.15	Order of the Superior Court of Justice in the Matter of the Proposal of Transformation Processing, Inc. dated November 25, 1999 (5)
10.16	Proposal of Transformation Processing, Inc. Court File No. 32-107046 filed in the Superior Court of Justice dated October 14, 1999 (5)
10.17	Share Exchange Agreement between Transformation Processing, Inc. and certain of its securities holders dated April 30, 2000 (5)
10.18	[Reserved]
10.19	Securities Purchase Agreement effective June 27, 2000 between Thomson Kernaghan, as Agent and eAutoclaims.com, Inc. (5)
10.20	Certificate of Rights, Designations, Preferences and Limitations of Series A Convertible Preferred Stock (5)
10.21	Security Agreement between Thomson Kernaghan, as Agent and eAutoclaims.com, Inc. (5)

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

10.22	Form of Purchasers Warrant (5)
10.23	Form of Agents Warrant (5)
10.24	Registration Rights Agreement (5)
10.25	eAutoclaims.com, Inc. Agreement with Certain Securities Holders effective May 31, 2000 (5)
10.26	eAutoclaims.com, Inc. Agreement with Sovereign Partners, Ltd. effective May 31, 2000 (5)
10.27	eAutoclaims.com, Inc. Agreement with Dominion Capital Fund (5)
10.28	Form of Master Modification Agreement with Certain Security Holders dated January 12, 2001(6)
10.29	Restated master Modification Agreement dated May 2001
10.30	Modification agreement dated November 2001 superseding the original Modification Agreement dated January 12, 2001 and the Restated Modification Agreement dated May 2001
10.31	Form of Bricks to Clicks Service and License Agreement (6)
10.32	Form of Collision Repair Facility Agreement and Procedures (6)
10.33	Form of Change of Control and Termination Agreement (6)

38

Table of Contents

10.34	Form of Officers/Directors Indemnification Agreement (6)
10.35	Bricks to Clicks Service and Licensing Agreement with Inspire Claims Management, Inc., dated November 1, 2000(6)(9)
10.36	Lease Agreement for 110 East Douglas Road dated September 2001 (6)
10.37	Form of Employee Confidentiality Agreement (6)
10.38	Letter Agreement with Liviakis Financial Communications, Inc. (6)
10.39	Letter Agreement with Former Liviakis Financial Communications, Inc. Employees (6)
10.40	Claims Management Services and License Agreement with Royal Indemnity Company, dated April 24, 2001(6)
10.41	Amended and Restated Employment Agreement with Eric Seidel effective May 21, 2001 (6)(9)
10.42	Form of Amendment to Certificate of Designation, Rights and Preferences of Series A Preferred Stock effective May 21, 2002 (7)
10.43	Agreement between Parts.com, Inc. and the Registrant effective May 1, 2001(6)
10.44	Form of Convertible Debenture (6)
10.45	Form of Warrants issued in connection with Convertible Debentures (6)
10.46	Form of Subscription Agreement for purchasers of Convertible Debentures (6)
10.47	Amended and Restated Employment Agreement with Eric Seidel, dated March 27, 2003 (9)
10.48	Employment Agreement with Scott Moore, effective April 25, 2003 (10)
10.49	Employment Agreement with Reed Mattingly, effective May 1, 2003 (9)
10.50	Employment Agreement with Dave Mattingly, effective May 1, 2003 (9)
10.51	Employment Agreement with Stacy Adams, effective May 1, 2003 (9)
10.52	Agreement by and between eAutoclaims.com, Inc. and Governor s Road, LLC, effective October 23, 2003 (11)
10.53	Form of Amendment to Certificate of Rights, Designation and Preferences of Series A Preferred Stock, filed with the Nevada Secretary of State on November 20, 2003 (11)
10.54	Letter Agreement with Noble International Investments, Inc., dated April 22, 2004 (11)
10.55	Registration Rights Agreement relating to April/May 2004 Unit Offering (11)
10.56	Form of Common Stock Purchase Warrant relating to April/May 2004 Unit Offering (11)
10.57	Form of \$250,000 Convertible Note and Related Matters with Christopher Korge, dated May ----, 2004 (11)
10.58	Form of Common Stock Purchase Warrant issued to Christopher Korge dated May----, 2004 (11)
10.59	Agreement with ADP Claims Solution Group, Inc. dated March 9, 2004 (11)
10.60	Employment Agreement with Eric Seidel, effective April 30, 2005 (13)
10.61	Employment Agreement with Larry Colton, effective May 1, 2005 (10)
10.62	Employment Agreement with Reed Mattingly, effective May 1, 2005 (10)
10.63	Employment Agreement with Dave Mattingly, effective May 1, 2005 (13)
10.64	Employment Agreement with Stacy Adams, effective May 1, 2005 (10)
10.65	Agreement for conversion of Convertible Preferred Stock, dated July 21, 2005 (13)
10.66	Building Lease (14)
10.67	PEO Contract (14)
10.68	Form of Warrant Exercise Term Sheet (15)
10.69	Form of Subscription Agreement (15)
10.70	Form of Registration Rights Agreement (15)
10.71	Form of Common Stock Purchase Warrant (15)

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

10.72	Letter Agreement with Noble International Investments, Inc (15)
10.73	Letter Of Intent with Fireman s Fund Insurance Company, dated October 16, 2006 (16)
10.74	Employment Agreement with Jeffrey Dickson, effective April 1, 2007 (17)
10.75	Employment Agreement with Larry Colton, effective March 1, 2007 (17)
10.76	Employment Agreement with Don Thomas, effective January 8, 2007 (17)
10.77	Securities Purchase Agreement (18)
31	Certificates of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)*
32	Certificates pursuant to Section 1350 pursuant to Section 906 of Sarbanes-Oxley Note of 2002*
99.1	Code of Ethics (12)

39

Table of Contents

- (1) Incorporated by reference from the Registrant s Form 10-SB filed on March 12, 1998 and amended on August 31, 1998 and October 22, 1998
- (2) Incorporated by reference from the Registrant s Form 8-K filed on July 25, 2000
- (3) Incorporated by reference from the Registrant s Form 10-KSB for fiscal year ended July 31, 1999
- (4) Incorporated by reference from the Registrant s Form 10-KSB for fiscal year ended July 31, 1998
- (5) Incorporated by reference from the Registrant s Form 10-KSB for fiscal year ended July 31, 2000
- (6) Incorporated by reference from the Registrant s Form 10-KSB for fiscal year ended July 31, 2001
- (7) Incorporated by reference from the Registrant s Form 10-KSB for fiscal year ended July 31, 2002
- (8) Incorporated by reference from the Registrant s Form 10-KSB for fiscal year ended July 31, 2003
- (9) This Employment Agreement has been superseded by a new employment agreement filed herewith. See (10)
- (10) Terminated, no longer in effect
- (11) Incorporated by reference from the Registrant s Form S-1 Registration Statement File No. 333-122975
- (12) Incorporated by reference from the Registrant s Form 10-K for fiscal year ended July 31, 2004
- (13) Incorporated by reference from the Registrant s Form 10-K for fiscal year ended July 31, 2005
- (14) Incorporated by reference from the Registrant s Form S-1 Registration Statement File No. 333-133329
- (15) Incorporated by reference from the Registrant s Form 8-K filed on March 22, 2006
- (16) Incorporated by reference from the Registrant s Form 8-K filed on October 16, 2006
- (17) Incorporated by reference from the Registrant s Form 8-K filed on April 24, 2007
- (18) Incorporated by reference from the Registrant s Form 10-QSB filed on June 12, 2007
- * Filed herewith

- (b) Reports on Form 8-K

Item 5.02 Appointment of CEO and Chairman of the Board, dated January 16, 2007.

Items 5.02/9.01 Executive Officer employment agreements, dated April 24, 2007.

Item 4.02 Regarding restatement of fiscal year 2006 financial statements, dated May 14, 2007.

Item 5.02 Resignation of Director, dated June 4, 2007.

ITEM 14. PRINCIPAL ACCOUNTANTS FEES AND SERVICES

Compensation of Auditors

Audit Fees. Goldstein Golub Kessler LLP billed the Company an aggregate of \$96,500 in fees and expenses for professional services rendered in connection with the audit of the Company's financial statements for the fiscal year ended July 31, 2006 and the reviews of the financial statements included in each of the Company's Quarterly Reports on Form 10-QSB during the fiscal year ended July 31, 2007. Audit Fees were \$92,500 for services rendered in connection with the audit of the Company's financial statements for the fiscal year ended July 31, 2005 and the reviews of the financial statements included in each of the Company's Quarterly Reports on Form 10-Q during the fiscal year ended July 31, 2006.

Financial Information Systems Design and Implementation Fees. Goldstein Golub Kessler LLP did not provide the Company any professional services for financial information systems design or implementation for the fiscal years ended July 31, 2007 and 2006.

All Other Fees. Goldstein Golub Kessler LLP billed the Company fees and expenses during the years ended July 31, 2007 and 2006, primarily for the following professional services:

	2007		2006	
Audit related services	\$2,682	(1)	\$9,016	(1)
All Other Fees-Sarbanes Oxley	\$0		\$0	
Taxes	\$0		\$0	
	\$2,682		\$9,016	

(1) Audit related services include the review of Form S-1 related to the Company's registration statement and related offerings and accounting advice.

40

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Oldsmar, State of Florida, on the 8th day of November 2007.

EAUTOCLAIMS,INC.

BY: /s/ Jeffrey Dickson
 Jeffrey Dickson
 President and Chief Executive Officer

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

/s/ Larry Colton
Larry Colton
Chief Financial Officer and
Principal Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>NAME</u>	<u>TITLE</u>	<u>DATE</u>
/s/ Jeffrey Dickson Jeffrey Dickson	President, Chief Executive Officer and Director	November 8, 2007
/s/ William Austin Lewis IV William Austin Lewis IV	Chairman	November 8, 2007
/s/ John K. Pennington John K. Pennington	Director	November 8, 2007
/s/ Christopher Korge Christopher Korge	Director	November 8, 2007

41

Table of Contents

EAUTOCLAIMS, INC.

FINANCIAL STATEMENTS

JULY 31, 2007

Table of Contents

Report of Independent Registered Public Accounting Firm	F - 2
Financial Statements:	
Balance Sheets	F - 3
Statements of Operations	F - 4
Statements of Stockholders' Equity (Deficiency)	F - 5
Statements of Cash Flows	F - 6
Notes to Financial Statements	F-7 - F-18
Report of Independent Registered Public Accounting Firm on Financial Statement Schedule II - Allowance for Doubtful Accounts	F-19 F-20

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

eAutoclaims, Inc.

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

We have audited the accompanying balance sheets of eAutoclaims, Inc. as of July 31, 2007 and the related statements of operations, stockholders' equity (deficiency), and cash flows for each of the two years in the period ended July 31, 2007. 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of eAutoclaims, Inc. as of July 31, 2007 and the results of its operations and its cash flows for each of the two years in the period ended July 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

GOLDSTEIN GOLUB KESSLER LLP

New York, New York

November 6, 2007

F-2

Table of Contents

EAUTOCLAIMS, INC.

BALANCE SHEET

	July 31, 2007
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 795,047
Accounts receivable, less allowance for doubtful accounts of \$50,000	259,341
Prepaid expenses and other current assets	88,415
Total current assets	1,142,803

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

Property and equipment, net of accumulated depreciation	846,340
Restricted cash	730,000
Goodwill	1,093,843
Other assets	35,800
Deferred income tax asset, net of valuation allowance of \$10,903,000	
Total Assets	\$3,848,786
LIABILITIES AND STOCKHOLDERS EQUITY	
Current Liabilities:	
Accounts payable, advanced payments and accrued expenses	\$2,061,060
Notes payable, net of unamortized discount	546,289
Current portion of capital lease obligation	114,988
Current portion of deferred gain on building sale	108,135
Total current liabilities	2,830,472
Deferred gain on building sale, net of current portion	477,599
Capital lease obligation	198,924
Total liabilities	3,506,995
Stockholders Equity	
Convertible preferred stock - \$.001 par value; authorized 5,000,000 shares, No shares outstanding	93,736
Common stock - \$.001 par value; authorized 150,000,000 shares, issued and outstanding 93,736,071 shares	30,739,288
Additional paid-in capital	(30,444,051)
Accumulated deficit	(47,182)
Treasury Stock, at cost, 238,536 shares	
Stockholders Equity	341,791
Total Liabilities and Stockholders Equity	\$3,848,786

F-3

Table of Contents

EAUTOCLAIMS, INC.
STATEMENTS OF OPERATIONS

Year Ended July 31	2007	2006
Revenue:		
Collision repairs management	\$9,017,872	\$11,189,186
Fleet repairs management	901,643	916,741
Fees and other revenue	1,871,478	2,757,811
Total revenue	11,790,993	14,863,738
Expenses:		
Claims processing charges	8,115,161	10,178,094
Selling, general and administrative	5,544,234	6,532,363
Depreciation and amortization	454,772	459,133
Total expenses	14,114,167	17,169,590
Gain on Contract Termination	1,944,637	

Net loss		\$ (378,537)	\$ (2,305,852)
Adjustment to net loss to compute loss per common share:			
Preferred stock dividends			(557,833)
Dividend to unit holders			
Net loss applicable to common stock		\$ (378,537)	\$ (2,863,685)
Loss per common share-basic and diluted		\$ (0.00)	\$ (0.04)
Weighted-average number of common shares outstanding-basic and diluted		83,713,683	70,822,785

F-4

Table of Contents

EAUTOCLAIMS, INC.

STATEMENT OF STOCKHOLDERS EQUITY (DEFICIENCY)

Years Ended July 31, 2007 and 2006

	Common Stock		Additional	Accumulated	Treasury	Stockholders
	Shares	Amount	Paid-in Capital	Deficit	Stock	(Deficiency) Equity
Balance at July 31, 2005	59,488,026	59,488	25,081,358	(27,192,829)		(2,051,983)
Issuance of common stock upon exercise of options	1,203,437	1,202	19,847			21,049
Issuance of common stock for interest	5,651	6	898			904
Issuance of common stock for services	3,358,876	3,359	791,190			794,549
Dividends issued to unit holders in the form of warrants and shares	2,162,860	2,163	555,670	(557,833)		0
Issuance of common stock upon exercise of warrants	12,412,505	12,413	1,908,491	0		1,920,904
Purchase of Treasury Stock					(31,625)	(31,625)
Conversion of convertible note to equity	1,718,750	1,719	273,281	0		275,000
Issuance of warrants in conjunction with note payable			9,000	(9,000)		0
Issuance of common stock in conjunction with building transaction	400,000	400	115,600			116,000

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

Vesting of options granted to employees			33,841			33,841
Net loss				(2,305,852)		(2,305,852)
Balance at July 31, 2006	80,750,105	80,750	28,789,176	(30,065,514)	(31,625)	(1,227,213)
Issuance of common stock upon exercise of options	344,370	344	4,110			4,454
Issuance of common stock upon exercise of warrants	9,895,488	9,896	1,458,561			1,468,457
Warrants issued on exercise program			45,889			45,889
Warrants issued with note payable			5,156			5,156
Purchase of Treasury Stock				(15,557)		(15,557)
Issuance of common stock for services	2,746,108	2,746	417,634			420,380
Vesting of options granted to employees			18,762			18,762
Net loss				(378,537)		(378,537)
Balance at July 31, 2007	93,736,071	93,736	30,739,288	(30,444,051)	(47,182)	341,791

F-5

Table of Contents

EAUTOCLAIMS, INC.

STATEMENTS OF CASH FLOWS

Year Ended July 31	2007	2006
Cash flows from operating activities:		
Net loss	\$ (378,537)	\$ (2,305,852)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	454,772	459,133
Common stock issued for services	420,380	794,549
Common stock issued for interest		904
Recognition of deferred gain on building sale	(108,130)	(63,079)
Bad debts	(120,000)	(38,000)
Gain on contract termination	(1,944,637)	
Amoritization of debt discount	1,445	
Non-cash compensation expense	45,889	
Vesting of options granted to employees	18,762	33,841
Changes in operating assets and liabilities		
Accounts receivable	422,362	218,534
Prepaid expenses and other assets	(13,737)	6,921
Accounts payable, advance payments and accrued expenses	(367,466)	(328,320)
Net cash used in operating activities	(1,568,897)	(1,221,369)
Cash flows from investing activities:		
Purchases of property and equipment	(325,408)	(254,318)

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

Proceeds from sale of building		869,634
Change in restricted cash	(730,000)	
Proceeds from related parties		6,231
Net cash (used in) provided by investing activities	(1,055,408)	621,547
Cash flows from financing activities:		
Proceeds from exercise of warrants	1,468,457	1,920,904
Proceeds from notes payable	550,000	
Proceeds from exercise of options	4,454	21,049
Purchase of treasury stock	(15,557)	(31,625)
Principal payments on capital lease	(112,241)	(92,547)
Net cash provided by financing activities	1,895,113	1,817,781
Net (decrease) increase in cash and cash equivalents	(729,192)	1,217,959
Cash and cash equivalents at beginning of period	1,524,239	306,280
Cash and cash equivalents at end of period	\$795,047	\$1,524,239
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$49,519	\$43,351
Supplemental disclosure of noncash investing and financing activities:		
Conversion of debentures to common stock		\$275,000
Equipment acquired by capital lease	\$303,512	\$19,567
Fair value of warrants issued in conjunction with bridge loan		\$9,000
Shares and warrants issued to unit holders		\$557,833
Shares issued in conjunction with building acquisition		\$116,000
Discount on notes payable relating to warrants	\$5,156	

F-6

Table of Contents

EAUTOCLAIMS, INC.

NOTES TO FINANCIAL STATEMENTS

1. THE BUSINESS AND BASIS OF PRESENTATION

eAutoclaims.com, Inc. changed its name to eAutoclaims, Inc. (the Company) as of July 29, 2004. The Company is a Nevada corporation which provides Internet based vehicle collision claims services for insurance companies, Managing General Agents (MGA) and third party claims administrators (TPA) and self-insured automobile fleet management companies. The Company accepts assignment of claims from customers, and provides vehicle repairs through a network of repair shops. The Company also handles estimate, audit and claims administration services for claims for which the Company does not perform the repair.

The Company uses the Internet to streamline and lower the overall costs of automobile repairs and the claims adjustment expenses of its clients.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As shown in the financial statements, the Company has suffered recurring losses from operations, has a stockholders' deficiency and a working capital deficiency. The Company has been able to raise additional funds from debt and equity offerings and management believes it can continue to do so in the future.

In addition, the Company has secured a commitment from a majority shareholder, the Chairman of the Board of Directors, to purchase \$2,000,000 of the Company's common stock if the Company needs additional financing.

Revenue Recognition

The Company derives revenue primarily from collision repairs, glass repairs and fleet repairs. Revenue is recognized when an agreement between the Company and its customer exists, the repair services have been completed, the Company's revenue is fixed and determinable and collection is reasonably assured.

The Company records revenue gross for collision and fleet repairs and for certain glass repairs. This occurs when the Company is the primary obligor in its arrangements, the Company has latitude in establishing price, the Company controls what services are provided and where the services will take place, the Company has discretion in supplier selection, the Company is involved in the determination of product or service specifications and the Company has credit risk.

The Company records revenue net of repair costs for certain glass repairs. Revenue is recorded net when situations occur whereby the supplier (not the Company) is the primary obligor in an arrangement, the amount the Company earns is fixed or the supplier (and not the Company) has credit risk.

The Company records revenue generated from a co-marketing agreement net of the repair costs because in the agreement the Company is performing a fee for service. The party to the agreement sells and markets the Company's services to the insurance companies, who are its customers and it collects the revenue and pays the repair shop.

The Company derives revenue from the sale of estimating software to shops within the Company's repair shop network. Since the Company only resells and does not service the estimating software, the revenue and cost of revenue from the transaction is recognized on the date of shipment.

F-7

EAUTOCLAIMS, INC.

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

Cash and cash equivalents represent cash and short-term, highly liquid investments with original maturities of three months or less. The Company places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

Accounts Receivable

Accounts receivable are reported at their outstanding unpaid principal balances reduced by an allowance for doubtful accounts. The Company estimates doubtful accounts based on historical bad debts, factors related to specific customer's ability to pay and current economic trends. The Company writes off accounts receivable against the allowance when a balance is determined to be uncollectible. The Company believes that the concentration of credit risk in its trade receivables, with respect to its limited customer base, is substantially mitigated by its credit evaluation process. The Company does not require collateral.

Fair Value

The carrying value of accounts receivable, accounts payable and accrued expenses are reasonable estimates of their fair value because of short-term maturity. The fair value of the notes payable approximate their principal amount.

Warranty

The Company provides a warranty on the repairs performed at its network shops and an accrual of \$20,000 has been established as of July 31, 2007 for estimated future warranty costs. This accrual amount is reviewed periodically and adjusted as necessary based on factors including historical warranty expense and current economic trends.

Advertising Expense

The Company expenses costs for advertising as they are incurred. In the year ended July 31, 2007 and 2006 a total of \$5,253 and \$1,529, respectively, was expensed for advertising.

Property and Equipment

Property and equipment are stated at cost. Additions and improvements to property and equipment are capitalized. Maintenance and repairs are expensed as incurred. When property is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in operations. Depreciation is computed on the straight-line method over the estimated useful lives of the assets or the lease term.

The costs of software developed for internal use, including web site development costs, incurred during the preliminary project stage are expensed as incurred. Direct costs incurred during the application development stage are capitalized. Costs incurred during the post implementation/operation stage are expensed as incurred. Capitalized software development costs are amortized on a straight-line basis over their estimated useful lives.

F-8

Table of Contents

EAUTOCLAIMS, INC.

NOTES TO FINANCIAL STATEMENTS

Impairment

The Company identifies and records impairment on long-lived assets, including goodwill, when events and circumstances indicate that such assets have been impaired. The Company periodically evaluates the recoverability of its long-lived assets based on expected undiscounted cash flows, and recognizes impairment, if any, based on expected discounted cash flows. At July 31, 2007, no such impairment existed.

Income Taxes

Deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

Reclassifications

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

The Company has made certain reclassifications to the fiscal 2006 financial statements, as previously reported, to conform to current classification. These reclassifications did not change net loss as previously reported.

Use of Estimates in Financial Statements

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

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes , an interpretation of FASB Statement No. 109 (FIN 48), which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position may be recognized only if it is more likely than not that the position is sustainable based on its technical merits. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. The Company does not expect FIN 48 will have a material effect on the Company s consolidated financial condition or results of operations.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements , or SFAS No. 157. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The provisions of this statement are effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company is currently evaluating the effect that the adoption of SFAS No. 157 will have on its financial statements.

F-9

Table of Contents

EAUTOCLAIMS, INC.

NOTES TO FINANCIAL STATEMENTS

In February, 2007 the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities , or SFAS No. 159. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the effects, if any, that SFAS No. 159 will have on its financial statements.

Stock Based Compensation

Effective August 1, 2005, the Company adopted SFAS No. 123R utilizing the modified prospective method. Under the modified prospective method, the measurement provisions of SFAS No. 123R apply to all awards granted or modified after the date of adoption. In addition, the unrecognized expense of awards not yet vested at the date of adoption, measured under the original provisions of SFAS 123, Accounting for Stock Based Compensation, shall be recognized in net earnings in the periods after the date of adoption.

Stock based compensation consists primarily of stock options. Stock options are granted to employees at exercise prices equal to the fair market value of the Company's stock at the dates of grant. Stock options generally vest over three years and have a term of five or ten years. Compensation expense for stock options is recognized over the vesting period for each separately vesting portion of the stock option award.

The implementation of SFAS No. 123(R) did not have a significant impact on results of operations and cash flows during the year ended July 31, 2006. No income tax benefit has been recognized in the statement of operations related to stock-based compensation expense, due to the Company fully recording a 100% valuation allowance against the related deferred tax assets.

The fair value for options was estimated at the date of grant using a Black-Scholes option-pricing model with the following assumptions for the years ended July 31, 2007 and 2006. The risk-free interest rate was derived from the U.S. Treasury yield curve in effect at the time of the grant and was assumed to be 4.55% and 4.98% for the fiscal years ended July 31, 2007 and 2006, respectively. The volatility factor was determined based on a study done on the Company by an independent securities valuation firm and the assumed market volatility was 45% for both years presented. The assumed dividend yield was 0% and an expected option life was assumed to be four years for both years presented. The assumption for the expected life is based on evaluations of historical and expected future exercise behavior.

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

In accordance with Emerging Issues Task Force No. 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or In Conjunction with Selling, Goods or Services, the Company measures the fair value of the equity instruments issued to non-employees using the stock price and other measurement assumptions as of the earlier of the date at which a commitment for performance by the counterparty to earn the equity instruments is reached, or the date at which the counterparty's performance is complete.

F-10

Table of Contents

EAUTOCLAIMS, INC.

NOTES TO FINANCIAL STATEMENTS**3. PER SHARE CALCULATIONS**

Basic loss per share is computed as net loss available to common stockholders divided by the weighted- average number of common shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur from common shares issuable through stock-based compensation including stock options, restricted stock awards, warrants and convertible securities. For the years ended July 31, 2007 and 2006, during which the Company reported a net loss, 16,723,961 and 25,965,318 options and warrants, respectively, were excluded from the diluted loss per share computation, as their effect would be anti-dilutive. Additionally, as of July 31, 2007 there were no convertible securities outstanding.

4. PROPERTY AND EQUIPMENT

At July 31, 2007 property and equipment, at cost, consists of the following:

		Estimated Useful Life
Computer Equipment	\$ 1,069,907	3 years
Software	1,585,188	3 years
Office equipment	305,221	3 to 10 years
Leasehold improvements	254,250	Term of Lease
Furniture and fixtures	89,731	7 to 10 years
	3,304,297	
Less accumulated depreciation	2,457,957	
	\$ 846,340	

Office equipment and software include amounts acquired under capital leases of approximately \$583,000 at July 31, 2007 and \$279,000 at July 31, 2006, with related accumulated depreciation of approximately \$238,000 at July 31, 2007 and \$152,000 at July 31, 2006, respectively.

NOTES TO FINANCIAL STATEMENTS**5. ACCOUNTS PAYABLE, ADVANCED PAYMENTS AND ACCRUED EXPENSES**

At July 31, 2007 accounts payable, advanced payments and accrued expenses consist of the following:

Advanced payments from customers	\$ 1,174,172
Accounts payable to repair facilities and other vendors	399,669
Accrued payroll and vacation wages	137,405
Other accrued liabilities (none in excess of 5% of current liabilities)	349,814
	\$2,061,060

6. PURCHASE AND SALE OF BUILDING

During the year ended July 31, 2006, the Company completed a transaction in which it purchased its Oldsmar facility under a purchase agreement completed with the previous landlord, and immediately sold the facility to a third party. As part of the agreement to purchase the facility, the Company issued the previous landlord 400,000 shares of the Company's common stock. The net result of the purchase and sale transaction, after deducting applicable expenses, was a gain to the Company of \$756,943, which will be recognized over the term of the new seven year lease. Accordingly, in the years ended July 31, 2007 and 2006, the Company recognized gains of \$108,130 and \$63,079 respectively from this transaction. The new lease, which runs through December, 2012, was signed with the new owner as part of the agreement to sell the facility.

7. RESTRICTED CASH

During the year ended July 31, 2007, the Company has placed \$730,000 in a certificate of deposit as collateral for a Letter of Credit issued to satisfy a contractual requirement with a client. According to the terms of the agreement, the client has the right to draw on the Letter of Credit if the client elects to terminate the contract, which has a three- year term, in the event the Company fails to meet certain service level and financial covenants. Failure to meet these covenants does not automatically invoke the contract termination. The Company also has the ability to terminate the Letter of Credit when certain financial benchmarks are attained.

8. NOTES PAYABLE

During the year ended July 31, 2007, the Company received proceeds of \$550,000 from the issuance of notes to multiple investors. The proceeds were used to help fund the CD used as collateral for a Letter of Credit. The one-year notes, which require repayment in full of the principal on various dates between February 8, 2008 and March 30, 2008, pay monthly interest at a rate of 12%. In addition to the interest earned, each investor received three-year, \$0.16 warrants to purchase shares of the Company's common stock equal to 93,750 warrants for each \$50,000 invested. A total of 1,031,250 warrants were issued to these investors. The Company also agreed that, in the event of default of the principal repayment, each investor would be issued shares of the Company's common stock in an amount equal to 450,000 shares for each \$50,000 invested and additional warrants equal to 30% of the amount invested. Under these terms, if a default occurs, the Company would be required to issue a total of 4,950,000 shares and 165,000 additional new three-year warrants with an exercise price equal to eighty percent (80%) of the average closing price per share of the Company's common stock for a period of ten (10) consecutive business days ending immediately prior to the date which causes a default.

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

In accordance with Accounting Principles Board Opinion No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants (APB 14), proceeds received from the sale of debt with detachable stock purchase warrants should be allocated to both debt and warrants based on their relative fair value, with the portion allocable to the warrants to be accounted for as Additional Paid in Capital and reduce the carrying value of debt. In order to determine the fair value of the warrants, the Company hired an outside investment firm who employed several valuation models to arrive at a value of \$5,156 for the warrants. This amount will be amortized to interest expense over the twelve-month term of the notes. At July 31, 2007, the unamortized discount on the notes is approximately \$3,700.

F-12

Table of Contents

EAUTOCLAIMS, INC.

NOTES TO FINANCIAL STATEMENTS

9. GAIN ON CONTRACT TERMINATION

During the year ended July 31, 2007, the Company recorded a gain of \$1,944,637 related to a contract termination. The gain represents previously recorded advanced payments received in anticipation of claims to be fulfilled. Upon termination of the contract the Company received a release of certain advance payments and accordingly recorded a gain.

10. COMMITMENTS AND CONTINGENCIES

In April 2007 the Company entered into a new eighteen month employment agreement with its President and Chief Executive Officer. The agreement specifies an annual base salary of \$150,000, and, if the Company generates positive cumulative EBITDA of greater than \$50,000 for any three consecutive months, the base salary will be increased to \$200,000. The CEO will be entitled to receive quarterly bonus compensation in an amount approved by the Company's Board of Directors based upon the performance criteria as may be established by the Compensation Committee from time to time. Such bonuses, which at no time may be less than 3% of the Company's EBITDA as computed under GAAP, may be paid in cash or issued in shares of the Company's common stock as elected by the CEO. The CEO shall also be entitled to receive an option to purchase 25,000 shares of the Company's common stock, exercisable at the fair market price, for each month the Company has net income of a minimum of \$10,000 as computed in accordance with GAAP. These options vest over the remaining term of the employment agreement. The CEO is entitled to a \$750 per month automobile allowance and a \$1000 per month personal allowance. If the CEO's employment is terminated for any reason other than cause, the CEO will receive a lump sum payment equal to one (1) times the current base salary. If the CEO's employment is terminated by the Company after a Change of Control, the CEO will receive a lump-sum payment equal to 2.99 times the current base salary.

In addition, in January and March 2007 the Company entered into employment agreements ranging in length from twenty-four to twenty-seven months with both of the Company's current officers that range from \$125,000 to \$132,000 annually. These executives also receive automobile allowances of \$400 per month. If their contracts are not renewed they receive severance packages of between six and nine months of their annual compensation.

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

On March 27, 2003 the Board of Directors voted to grant certain key employees a total of 2,000,000 shares of common stock or equivalent consideration thereof and the current and future board members 1,000,000 common shares if there is a change in control of greater than 50% ownership of the Company or a sale of all or substantially all its assets.

The Company leases equipment and facilities under non-cancelable capital and operating leases expiring on various dates through 2012. The main operating lease consists of a seven-year lease for 30,000 square feet of a 62,000 square foot facility. Rent, including applicable taxes, at the period ended July 31, 2007 was \$22,336 per month and increases 3% at the beginning of each calendar year through the remaining life of the lease. Total rent expense under the operating leases for the years ended July 31, 2007 and 2006 totaled approximately \$265,000 and \$247,000 respectively.

The approximate minimum future payments under this operating lease are payable as follows:

Year ending July 31,	
2008	273,000
2009	282,000
2010	290,000
2011	299,000
2012	308,000
2013	103,000
	\$ 1,555,000

F-13

Table of Contents

EAUTOCLAIMS, INC.

NOTES TO FINANCIAL STATEMENTS

The Company leases equipment under non-cancelable capital leases expiring on various dates through fiscal 2010. The approximate minimum future payments under these capital leases are payable as follows:

Year ending July 31,	
2008	\$ 142,000
2009	118,000
2010	99,000
	\$ 359,000
Less amount representing interest	45,000
	314,000

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

Less current maturities	115,000
Long-term debt less current maturities	\$ 199,000

Interest expense on capital leases for the years ended July 31, 2007 and 2006 amounted to approximately \$17,000 and \$30,000, respectively.

11. STOCKHOLDERS EQUITY

During the fiscal year ended July 31, 2007 the Company issued a total of 2,746,108 shares of common stock in exchange for services. Of this total, 121,858 shares were issued to members of management in accordance with the terms of their employment contracts and \$17,623 was charged to expense during this period, which was approximately equal to the fair market value of the shares at the time of issuance. The Company issued a total of 650,000 shares to a sales consultant, worth \$91,000 at fair market value which was charged to expense during the period in which they were earned. The Company also issued a total of 1,974,250 shares of common stock to our four outside directors and Chairman of the Board in exchange for their services.

Of the 1,974,250 shares issued 1,252,330 shares were issued for services that were rendered for fiscal year 2007 and were expensed over the year as they were earned. During the year ended July 31, 2007 the Company expensed \$196,250 for these shares, which was approximately equal to the fair market value of the shares when issued. Also included in the above total are 721,920 shares, worth approximately \$115,000 at fair market value, which were issued to the new Chairman of the Board for consulting services. These shares were charged to expense during the period in which they were earned.

During the year ended July 31, 2007 a total of 344,370 net shares of common stock were issued to employees and a consultant as a result of the exercise of outstanding options, all with a strike price of \$0.01. This reflected a total of 101,036 options that were exercised and subsequently sold back to us by four senior managers who delivered these shares to satisfy tax withholding requirements. These shares were valued at \$15,557 which represents the fair value of the shares at the time of surrender.

During the year ended July 31, 2007 the Company issued a total of 9,895,488 shares of common stock to investors who exercised outstanding warrants. Of this total, 9,177,859 warrants were exercised by investors in the month of June 2007 when the Company offered all holders of outstanding common stock purchase warrants the opportunity to exercise their warrants at \$0.16 per share for a thirty day time period. For each warrant exercised during the window period, the holder was entitled to receive one half (1/2) of a new common stock purchase warrant exercisable at \$0.16 for a two-year period expiring on June 30, 2009. As a result, the Company received \$1,468,457 from investors who exercised these warrants. In addition, the Company issued 4,588,930 new \$0.16 two-year warrants to these investors. Issuing these units resulted in the Company recording a non-cash compensation expense of \$45,889. The remaining 717,629 cashless warrants were exercised by an investor according to the terms of the warrant agreement.

On February 13, 2006, shareholders holding greater than 50% of the outstanding common stock of the Company consented to increase the Company's authorized shares of common stock from 100,000,000 to 150,000,000 shares.

The Company is authorized to issue 5,000,000 shares of \$.001 par value, series A, convertible preferred stock. As of July 31, 2007 there were no shares of preferred stock outstanding.

Table of Contents

EAUTOCLAIMS, INC.

NOTES TO FINANCIAL STATEMENTS

As part of the provisions of the sales of equities in March through May of 2004 there was a requirement to meet certain claims volume targets under a Co-Marketing Agreement. If the Company failed to meet those targets, up to 100% of the original Units (as defined in that document) would have to be issued to those 2004 investors for no additional consideration (True up). In order to help resolve this open issue, in December 2004 the Company offered the 2004 investors 50% of the total potential True up Units in exchange for releasing the Company from the remaining target volume commitment.

On August 1, 2005, the Company evaluated the claims volume that it had received from customers generated by the Co-marketing Agreement as specified in the subscription agreements from the 2004 capital raise. In accordance with those agreements, the Company did not meet the minimum volume requirements and therefore had to issue 2,162,860 Units (one share of common stock and one, 3-year, \$0.16 warrant to purchase a common share) to the investors who did not accept the December 2004 offer. Issuing these units resulted in the Company recording a stock dividend of \$475,829.

During the year ended July 31, 2006, the Company issued a total of 12,412,505 shares of common stock in connection with the exercise of a like number of outstanding common stock purchase warrants with exercise prices ranging from \$0.16 to \$0.20 per share. Of this total, 11,341,076 shares were issued effective March 21, 2006 for warrants exercised. As a result of exercising these warrants, the Company received \$1,749,475 after paying \$18,435 in legal fees and \$50,662 for certain financial advisory and investment banking services in connection with the program. In addition, the Company issued 8,200,359 new 3 year, \$0.30 warrants to investors who exercised warrants. Issuing these units resulted in the Company recording a stock dividend of \$82,004. An additional 1,071,429 warrants at a \$0.16 exercise price were exercised during the year ended July 31, 2006 for which the Company received \$171,429.

On August 15, 2005 the holder of the \$275,000 convertible debenture converted the note into 1,718,750 shares of the Company's common stock. In addition, interest on the note from the end of July 2005 until August 15, 2005 of \$904 was paid to the holder of the note with 5,651 shares of the Company's common stock.

During the year ended July 31, 2006, the Company issued a total of 3,358,876 shares of common stock in exchange for services. Of this total, 1,377,796 shares were issued to members of senior management in accordance with terms of their employment agreements. The Company recorded a charge to expense of \$407,398, which was approximately equal to the fair market value of the shares at the time of issuance. In addition, 200,000 shares of stock were issued to an officer in October 2005 as a result of a modification to his employment contract. An expense of \$30,000 was recorded for these shares, which was approximately equal to the fair market value of the shares at the time of issuance. On November 8, 2005 the Board of Directors gave approval for, and the Company subsequently issued, 1,000,000 shares of the Company's common stock to the Chairman of the Board to compensate him for his past services and his role as Chairman. The Company expensed a total of \$190,000 for these shares, which was equal to the fair market value of the shares at the grant date. In addition, the Board also approved future compensation for the Chairman of the Board to include the same annual retainer of \$25,000 to be paid in shares of the Company's common stock as well as the same quarterly stock compensation currently paid to non-employee directors. The Company issued 781,080 shares of common stock to four non-employee directors and the Chairman of the Board in exchange for their services. Of this total, 443,576 shares were issued for services to be rendered for fiscal year 2006. These shares were expensed over the year as they were earned. As of July 31, 2006 the Company expensed \$93,151, which was approximately equal to the fair market value of these shares when they were issued. In addition, a total of 337,504 shares were issued to these same directors and the Chairman of the Board for services rendered during the fiscal year ended July 31, 2006. A total of \$74,000 was charged to expense during this time period, which was approximately equal to the fair market value of these shares when

earned.

Also on November 8, 2005 the Board voted to adjust the strike price from \$0.35 to \$0.16 on 1,000,000 warrants owned by an investor, who is also a director, in order to match the strike price of other investor's warrants issued under the anti-dilution provisions of their agreements.

On November 29, 2005 the Company issued 400,000 shares of common stock in the name of its landlord at that time as part of an agreement to facilitate the sale of the building (See Note 6: Purchase and Sale of Building). These shares were part of the building sale transaction and were delivered to the landlord at the December 9, 2005 closing.

F-15

Table of Contents

EAUTOCLAIMS, INC.

NOTES TO FINANCIAL STATEMENTS

During the year ended July 31, 2006, a total of 1,203,437 shares of the Company's common stock were issued as a result of the exercise of outstanding options. Of this total, 200,000 options were exercised by a director, 512,500 by an officer and director, 250,000 by two officers combined, 137,500 by two consultants and 44,104 by other employees, all with a strike price of \$0.01. In addition, a consultant and two employees exercised a total of 59,333 options to purchase shares of the Company's common stock with exercise prices ranging from \$0.13 to \$0.15 per share. A total of 137,500 shares were sold back to the Company by an officer who delivered these shares to satisfy tax withholding requirements. These shares were valued at \$31,625, which represents the fair value of the shares at the time of surrender.

In October 2005, the Company issued 200,000 warrants with a strike price of \$0.20 to an investor for providing the Company with bridge loan financing and an additional 250,000 warrants with a strike price of \$0.20 were issued to two finders for helping to facilitate the transaction. The Company valued these warrants at \$0.02 each, utilizing a warrant valuation provided by an independent investment banker, and recorded a charge of \$9,000 for these warrants in October 2005.

12. STOCK OPTIONS

The Company has an incentive stock option plan under which options to purchase shares of common stock may be granted to certain key employees. The exercise price is based on the fair market value of such shares as determined by the board of directors at the date of the grant of such options. As of July 31, 2007, 13,420,411 shares are authorized for award under the plan.

A summary of the status of the Company's options as of July 31, 2007 and 2006 and changes during the years then ended is presented below:

Edgar Filing: EAUTOCLAIMS, INC - Form 10KSB/A

	July 31, 2007		July 31, 2006	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Balance at beginning of year	3,274,254	\$ 0.32	5,197,042	\$ 0.37
Granted	200,000	0.15	215,000	0.23
Cancelled or Expired	(998,500)	0.51	(934,351)	0.90
Exercised	(445,406)	0.01	(1,203,437)	0.22
Outstanding at end of year	2,030,348	\$ 0.28	3,274,254	\$ 0.32
Options exercisable at end of year	1,830,348	\$ 0.29	3,003,422	\$ 0.33
Weighted Average fair value of options granted during the period		\$ 0.06		\$ 0.10

F-16

Table of Contents

EAUTOCLAIMS, INC.

NOTES TO FINANCIAL STATEMENTS

The following table summarizes information about stock options outstanding at July 31, 2007:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted average Remaining Contractual Life	Weighted average Exercise Price	Number Exercisable	Weighted average Exercise Price
\$0.01	570,348	5.82	\$0.01	570,348	\$0.01
\$0.10 - \$0.47	1,305,000	2.14	0.22	1,105,000	0.23
\$0.51 - \$0.90	25,000	0.99	0.50	25,000	0.50
\$1.01 - \$2.00	130,000	2.97	2.00	130,000	2.00
\$0.01 - \$2.00	2,030,348		\$0.28	1,830,348	\$0.29

The intrinsic value of shares outstanding and exercisable at July 31, 2007 was approximately \$95,000 and \$93,000, respectively.

As of July 31, 2007 there was approximately \$24,000 of unrecognized compensation cost related to non-vested stock option awards, which is expected to be recognized over a remaining weighted-average vesting period of 3 years. During the year ended July 31, 2007 the Company granted 200,000 options to its Board members according to the approved Board Compensation plan. The weighted average fair value of these options using a Black-Scholes valuation model was \$.06.

13. INCOME TAXES:

As of July 31, 2007, and 2006 the Company had deferred tax assets of approximately \$10,903,000 and \$10,777,000, respectively, resulting from temporary differences and net operating loss carry-forwards of approximately \$25,000,000 and \$24,500,000, respectively, which are available to offset future taxable income, if any, through 2024. However, as of July 31, 2002 approximately \$10,452,000 of those losses is subject to an annual limitation of deducting \$267,000 per year against future operating income. As utilization of the net operating loss carry-forwards and temporary differences is not assured, the deferred tax asset has been fully reserved through the recording of a 100% valuation allowance.

F-17

Table of Contents

EAUTOCLAIMS, INC.

NOTES TO FINANCIAL STATEMENTS

The tax effects of temporary differences, loss carry-forwards and the valuation allowance that give rise to deferred income tax assets were as follows:

	July 31, 2007
Temporary differences:	
Allowance for doubtful accounts	20,000
Accrued vacation	24,000
Compensation not currently deductible	861,000
Net operating losses	9,998,000
Less valuation allowance	(10,903,000)
Deferred tax assets	\$ - 0 -

The reconciliation of the effective income tax rate to the federal statutory rate for the years ended July 31, 2007 and 2006 is as follows:

Federal income tax rate	(34.0)%
State income tax rate	(6.0)%
Change in valuation allowance on net operating loss carry-forwards	40.0 %

Effective income tax rate

- 0 - %

14. EMPLOYEE BENEFIT PLAN

The Company has a noncontributory defined contribution plan under Section 401 (k) of the Internal Revenue Code covering all qualified employees. An officer of the Company serves as trustee of the plan. The Company did not make a contribution to the plan for the years ended July 31, 2007 or 2006.

15. MAJOR CUSTOMERS

During the years ended July 31, 2007 and 2006, one customer accounted for 38% and 52% of total revenue respectively. During the years ended July 31, 2007 and 2006 a second customer accounted for approximately 18% and 9% of total revenue, respectively.

F-18

Table of Contents

Report of Independent Registered Public Accounting Firm on Financial Statement Schedule

To the Board of Directors

eAutoclaims, Inc.

The information included on Schedule II is the responsibility of management, and although not considered necessary for a fair presentation of financial position, results of operations, and cash flows is presented for additional analysis and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information included on Schedule II relating to the years ended July 31, 2007, 2006 and 2005 is fairly stated in all material respects, in relation to the basic financial statements taken as a whole. Also, such schedule presents fairly the information set forth therein in compliance with the applicable accounting regulations of the Securities and Exchange Commission.

GOLDSTEIN GOLUB KESSLER LLP

New York, New York

November 6, 2007

F-19

Table of Contents

Schedule II

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Information relating to the allowance for doubtful accounts is as follows:

	Beginning Balance	Charges	Deductions	Balance At End Of Period
Year ended 7/31/2005	161,000	89,675	42,675	208,000
Year ended 7/31/2006	208,000	55,538	93,538	170,000
Year ended 7/31/2007	170,000	29,920	149,920	50,000

F-20

