

ALLIANCE HEALTHCARD INC  
Form 10QSB  
February 12, 2008  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-QSB**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2007**

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission File Number 000-30099

**Alliance HealthCard, Inc.**

(Exact name of registrant as specified in its charter)

Edgar Filing: ALLIANCE HEALTHCARD INC - Form 10QSB

**GEORGIA** **58-2445301**  
(State or other jurisdiction of **(I.R.S. Employer**  
**incorporation or organization)** **Identification No.)**  
**3500 Parkway Lane, Suite 720, Norcross, GA 30092**  
**(Address of principal executive offices and zip code)**

**Registrant's telephone number, including area code: (770) 734-9255**

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

Indicate the number of shares outstanding of the Registrant's common stock as of the latest practicable date.

Class	Outstanding at February 8, 2008
<b>Common Stock, \$.001 par value</b>	<b>14,833,127</b>

Transitional Small Business Disclosure Format: Yes  No

---

**Table of Contents**

INDEX

	<b>PAGE</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
Item 1. <u>Financial Statements</u>	
<u>Consolidated Condensed Balance Sheets as of December 31, 2007 and September 30, 2007</u>	3
<u>Consolidated Condensed Statements of Operations for the Three Months Ended December 31, 2007 and 2006</u>	4
<u>Consolidated Condensed Statements of Cash Flows for the Three Months Ended December 31, 2007 and 2006</u>	5
<u>Notes to Consolidated Condensed Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis or Plan of Operations</u>	9
Item 3. <u>Controls and Procedures</u>	10
<b><u>PART II. OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	11
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	11
Item 3. <u>Defaults Upon Senior Securities</u>	11
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	11
Item 5. <u>Other Information</u>	11
Item 6. <u>Exhibits and Reports on Form 8-K</u>	11
<u>Signatures</u>	12

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Alliance HealthCard, Inc.****Consolidated Condensed Balance Sheets**

	December 31, 2007 (Unaudited)	September 30, 2007 (Derived From Audited Statements)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,769,566	\$ 2,274,411
Accounts receivable, net	2,268,129	2,389,541
Prepaid expenses	51,980	33,666
Total current assets	5,089,675	4,697,618
Notes receivable related parties	11,070	11,070
Furniture and equipment, net	139,466	131,969
Goodwill	2,746,945	2,746,945
Intangibles-Customer lists, net	2,086,386	2,212,220
Deferred income taxes and other	444,172	432,637
Total assets	\$ 10,517,714	\$ 10,232,459
<b>Liabilities and stockholders equity</b>		
Current liabilities:		
Accounts payable	\$ 1,511,735	\$ 1,441,703
Accrued salaries and benefits	150,666	129,525
Deferred revenue	765,577	911,588
Claims liability	342,190	260,300
Line of credit		149,980
Current portion of notes payable to related parties	2,382,333	2,382,333
Other accrued liabilities	1,536,578	1,323,877
Total current liabilities	6,689,079	6,599,306
Long term liabilities:		
Notes payable to related parties, net of discount and current portion shown above	2,644,520	3,200,055
Total long term liabilities	2,644,520	3,200,055
Total liabilities	9,333,599	9,799,361
Stockholders equity:		
Common stock, \$.001 par value; 100,000,000 shares authorized; 14,833,127 and 14,647,763 shares issued and outstanding at December 31, 2007 and September 30, 2007, respectively	14,833	14,647
Additional paid-in-capital	6,792,502	6,677,567
Accumulated deficit	(5,623,220)	(6,259,116)
Total stockholders equity	1,184,115	433,098

Edgar Filing: ALLIANCE HEALTHCARD INC - Form 10QSB

Total liabilities and stockholders' equity	\$ 10,517,714	\$ 10,232,459
--	---------------	---------------

*See the accompanying notes to the condensed financial statements.*

**Table of Contents****Alliance HealthCard, Inc.****Consolidated Condensed Statements of Operations**

	<b>Three Months Ended December 31,</b>	
	<b>2007</b>	<b>2006</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net revenues	\$ 4,763,633	\$ 3,655,450
Direct costs	2,489,547	2,633,432
<b>Gross Profit</b>	<b>2,274,086</b>	<b>1,022,018</b>
Marketing and sales expenses	264,493	190,964
Depreciation and amortization expenses	135,875	17,276
General and administrative expenses	788,435	618,621
<b>Operating income</b>	<b>1,085,283</b>	<b>195,157</b>
Other income (expense):		
Interest income	15,353	19,375
Interest (expense)	(57,990)	
<b>Total other income (expense):</b>	<b>(42,637)</b>	<b>19,375</b>
Income before income taxes	1,042,646	214,532
Income taxes	406,750	
<b>Net income</b>	<b>635,896</b>	<b>214,532</b>
Less dividends and distributions		1,576,801
<b>Net income (loss) available for common stock</b>	<b>\$ 635,896</b>	<b>\$ (1,362,269)</b>
<b>Per share data:</b>		
Basic	\$ 0.04	\$ (0.14)
Diluted	\$ 0.04	\$ (0.14)
Basic weighted average shares outstanding	14,688,986	10,000,000
Basic weighted diluted average shares outstanding	15,405,213	10,000,000

*See the accompanying notes to the condensed financial statements.*

**Table of Contents****Alliance HealthCard, Inc.****Consolidated Condensed Statements of Cash Flows**

	<b>Three Months Ended December 31,</b>	
	<b>2007 (Unaudited)</b>	<b>2006 (Unaudited)</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 635,896	\$ 214,532
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	135,875	17,276
Amortization of loan discount to interest expense	40,049	
Stock options issued to consultant	2,250	
Change in operating assets and liabilities:		
Accounts receivable	121,411	(466,906)
Prepaid expenses and other assets	(18,314)	(4,796)
Notes receivable from related parties		222,450
Other long term assets	(11,535)	(20,477)
Accounts payable	70,032	202,307
Accrued salaries and benefits	21,141	
Deferred revenue	(146,011)	
Claims and other accrued liabilities	294,592	102,815
Net cash provided by operating activities	1,145,386	267,201
<b>Cash flows from investing activities</b>		
Purchase of equipment	(17,538)	(43,866)
Net cash used by investing activities	(17,538)	(43,866)
<b>Cash flows from financing activities</b>		
Dividends and distributions paid out		(1,576,801)
Repayments of long term debt	(595,583)	
Repayment of line of credit	(149,980)	
Stock options exercised	112,870	
Net cash used by financing activities	(632,693)	(1,576,801)
Net increase (decrease) in cash	495,155	(1,353,466)
Cash at beginning of period	2,274,411	1,940,178
Cash at end of period	\$ 2,769,566	\$ 586,712
<b>Supplemental cash flow information</b>		
Cash paid for interest to related parties	\$ 15,012	\$
Cash paid for taxes	\$ 70,000	\$

*See the accompanying notes to the condensed consolidated financial statements.*

**Table of Contents**

**ALLIANCE HEALTHCARD, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2007 and 2006**

**(Unaudited)**

The following unaudited condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the company's latest shareholders' annual report Form 10KSB.

All adjustments that, in the opinion of management, are necessary for a fair presentation for the periods presented have been reflected as required by Regulation S-X, Rule 10-01. All such adjustments made during the three month periods ended December 31, 2007 and 2006 are of a normal, recurring nature.

**1. DESCRIPTION OF THE BUSINESS**

We were founded in 1998 as a provider of discount medical plans with a focus on creating, marketing, and distributing membership savings programs primarily to the underserved markets in the United States. Our original programs offered attractive savings in approximately 16 areas of health care, including physician visits, hospital stays, chiropractics, vision, dental, pharmacy, hearing, and patient advocacy, among others. On February 28, 2007, we completed a merger with Benefit Marketing Solutions, L.L.C., (BMS) who is the largest membership plan provider to dealers in the rental-purchase industry. For financial reporting purpose, BMS was considered the acquiring entity and historical financial statements prior to March of 2007 reflect the activities of BMS as adjusted for the effect of the recapitalization which occurred at the merger date. Activities of Alliance HealthCard, Inc. prior to the merger date are no longer reflected in the historical financial statements as it was considered to be the acquired entity. While we continue to market our successful health oriented programs, the merger has greatly expanded its business scope to include programs that offer discount savings on dining and entertainment, automotive, legal and financial, as well as insurance programs including leased property, involuntary unemployment, accidental death and dismemberment, and extended service plans. The company sells its membership savings programs to retailers, insurance companies, finance companies, banks, employer groups and association-based organizations through direct sales or independent marketing consultants, and is now a leading provider of value added membership plans sold in conjunction with point-of-sale transactions.

BMS was formed in February 2002 and is a national membership program benefits organization that designs, markets, and distributes membership programs for rental-purchase companies, financial organizations, employer groups, retailers and association-based organizations. These membership programs are sold as part of a point-of-sale transaction or through direct marketing efforts. BMS is the largest membership plan provider to dealers in the rental-purchase industry market space. The point-of-sale membership plans are sold through more than 4,800 locations in the U.S. and Puerto Rico.

The historical financial statements prior to February 28, 2007 are those of BMS, the accounting acquirer in the merger. The historical financial statements of BMS have been adjusted for the effect of the recapitalization which took place at the time of the reverse merger. Activity after February 28, 2007 includes the consolidated activities of the merged company.



## **Table of Contents**

### **2. GOODWILL AND INTANGIBLE ASSETS**

The Company accounts for acquisitions of businesses in accordance with SFAS No. 141, Business Combinations ( SFAS 141 ). Goodwill in such acquisitions represents the excess of the cost of a business acquired over the net of the amounts assigned to assets acquired, including identifiable intangible assets and liabilities assumed. SFAS 141 specifies criteria to be used in determining whether intangible assets acquired in a business combination must be recognized and reported separately from goodwill. Amounts assigned to goodwill and other identifiable intangible assets are based on independent appraisals or internal estimates. Customer lists acquired in an acquisition are capitalized and amortized over the estimated useful lives of the customer lists. Customer lists acquired in connection with the Alliance Healthcard, Inc. merger were valued at \$2,500,000 and are being amortized over sixty months, the estimated useful life of this list. Amortization of customer lists totaled \$125,001 during the quarter ended December 31, 2007.

The Company accounts for recorded goodwill and other intangible assets in accordance with SFAS No. 142, Goodwill and Other Intangible Assets ( SFAS 142 ). In accordance with SFAS 142, the Company does not amortize goodwill. Management evaluates goodwill for impairment for each reporting period. If considered impaired goodwill will be written down to fair value and a corresponding impairment loss recognized.

### **3. NOTES PAYABLE TO RELATED PARTIES**

In connection with the merger with BMS, three promissory notes were issued by the Company to former BMS shareholders in the aggregate amount of \$7,147,000. The notes are dated March 1, 2007 and bear interest at 1% per annum. The carrying amount of these notes was discounted to \$6,666,447 to adjust for the below market interest rate carried by the notes. Principal and accrued interest are payable quarterly on February 14th, May 15th, August 14th, and November 14th. In the event that the consolidated earnings before interest, income taxes, depreciation and amortization of the Company, determined in accordance with generally accepted accounting principles for each of the fiscal years ending on September 30, 2007, 2008 and 2009 shall be less ( Actual EBITDA ) than Four Million Two Hundred Dollars (\$4,200,000) (the Targeted EBITDA ), then the principal amount of these notes are to be reduced by an amount equal to the percentage by which the Actual EBITDA for each such period falls short of the Targeted EBITDA and the adjusted principal balance of this notes will then be amortized over the remaining term of the Note in accordance with the foregoing payment terms.

Pursuant to discussions between the note holders and the disinterested directors of the Company, on January 10, 2008 the old notes were cancelled and replaced by new notes reflecting the unpaid principal balance but modifying the measurement periods to be deferred by one year to the fiscal years ending September 30, 2008, September 30, 2009 and converted to quarterly reviews thereafter. Management felt that these deferred periods more appropriately tie the payment obligations to the Company s performance since the initial period did not reflect an entire year and also contained several merger related one time expenses. Several additional provisions were added to allow for adjustments if necessary. The new notes were issued in the aggregate amount of \$5,113,177 representing the unpaid principal balances on the original notes on that date before the above described note adjustments.

### **4. LINE OF CREDIT**

BMS secured a line of credit with Republic Bank & Trust for \$150,000, secured by the personal guarantee of Mr. Brett Wimberley with interest of the Wall Street Journal prime plus 1%, which was 8.75% and 9.25% at September 30, 2007 and 2006, respectively. The credit agreement was renewed on December 19, 2006 with a new maturity date of December 19, 2007 and bears an interest rate of the Wall Street Journal prime rate plus 1% per annum to be adjusted daily. The principal balance of \$149,980 was paid in full on December 19, 2007.

**Table of Contents****5. STOCK-BASED COMPENSATION**

In conjunction with certain consulting agreements, the Company granted stock options relating to 50,000 shares of Common Stock for the quarter ended December 31, 2007.

As of December 31, 2007, the total number of options issued and outstanding, the weighted average exercise price and number of options available for future issuance under approved equity compensation plans were as follows:

Number of securities to be issued upon exercise	1,476,397
Weighted average exercise price	\$ 0.94
Number of options available for future issuance	1,330,294

Effective January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), Share-based payment ( SFAS 123R ). The provisions of SFAS 123R requires companies to expense in their financial statements the estimated fair value of awarded stock options after the effective date. The Company adopted this statement using the modified prospective application. For options granted and vested prior to the effective date, the Company continues to follow the intrinsic value method set forth in Accounting Principles Board ( APB ) Opinion No. 25, Accounting for Stock Issued to Employees ( APB No. 25 ), and disclose the pro forma effects on net income had the fair value of these options been expensed.

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option-pricing model assumptions noted in the following table. Expected volatilities are base on historical volatilities of the Company s stock. The Company uses historical data to estimate expected term and option forfeitures within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The Company does not provide for any expected dividends or discount for post-vesting restrictions in the model.

Expected volatility	.1
Dividend yield	0%
Risk free interest rate	5%
Expected life	2 Years

The Company recognized equity-based compensation expense under SFAS 123(R) of approximately \$2,250 and zero for the quarter ended December 31, 2007 and December 31, 2006 respectively.

**6. INCOME TAXES**

The income statement for the three months ended December 31, 2006 reflects only the operations of BMS. BMS is a limited liability company and the earnings flow through and are taxed at the member level. Therefore there was no provision for income taxes during the three month period ended December 31, 2006. During the three months ended December 31, 2007, the Company accrued \$406,750 in income taxes payable and incurred \$406,750 in income tax expense.

In June 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)*. FIN 48 is intended to clarify the accounting for uncertainty in income taxes recognized in a company s financial statements and prescribes the recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Under FIN 48, evaluation of a tax position is a two-step process. The first step is to determine whether it is more-likely-than-not that a tax position will be sustained upon examination, including the resolution of any related appeals or litigation based on the technical merits of that position. The second step is to measure a tax position that meets the more-likely-than-not threshold to determine the amount of benefit to be recognized in the financial statements. A tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

---

## **Table of Contents**

Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent period in which the threshold is met. Previously recognized tax positions that no longer meet the more-likely-than-not criteria should be de-recognized in the first subsequent financial reporting period in which the threshold is no longer met.

The adoption of FIN 48 did not have a material effect on the Company's financial position.

## **7. CLAIMS LIABILITY**

The Company has an obligation for claims incurred but not reported (IBNR) as of December 31, 2007 and 2006. The liability is estimated using current claims payment information. As of December 31, 2007 and 2006, the Company had IBNR of \$342,190 and \$136,666 respectively. It is the Company's policy to reserve the necessary funds in order to pay claim obligations as they become due in the future.

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

*Certain information included in this Quarterly Report on Form 10-Q contains, and other reports or materials filed or to be filed by the Company with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Company or its management) contain or will contain, forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, Section 27A of the Securities Act of 1933, as amended and pursuant to the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may relate to financial results and plans for future business activities, and are thus prospective. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are competitive pressures, loss of significant customers, the mix of revenue, changes in pricing policies, delays in revenue recognition, lower-than-expected demand for the Company's products and services, business conditions in the integrated health care delivery network market, general economic conditions, and the risk factors detailed from time to time in the Company's periodic reports and registration statements filed with the Securities and Exchange Commission. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and as such speak only as of the date made.*

### **Overview**

Alliance HealthCard, Inc. is a leading provider of consumer membership plans offering access to networks which provide discounts to the consumer on a variety of products and services ranging from medical, dental and pharmacy to groceries, restaurants, travel, automotive and a host of others. The company also designs and markets in its consumer package specialty insurance and warranty products on the goods its marketing clients sell to their customers. The Company's plans are sold to consumers primarily through retail, rent to own, financial and consumer finance clients. Alliance HealthCard performs turnkey programs including design and fulfillment of marketing pieces and collateral support material, network support, customer service, regulatory compliance, and billing.

### **Results of Operations**

#### ***Three Months Ended December 31, 2007, Compared to Three Months Ended December 31, 2006***

The results of operations do not include the operating results of Alliance HealthCard prior to March 1, 2007. Therefore, the results of our operations for each of the three months ended December 31, 2007 and 2006, may not be considered comparable.

Revenue increased \$1.1 million, or 30%, to \$4.8 million in the quarter ended December 31, 2007 compared to revenue of \$3.7 million for the same period in 2006. The \$1.1 million consisted of an increase for BMS of \$.4 million attributable to the following: a) \$.3 million from a major client due to an increase in membership sales, and b) \$.1 million from new and existing client business. The remaining increase of \$.7 million was attributable to Alliance HealthCard.

## **Table of Contents**

Gross profit increased \$1.3 million, or 123%, to \$2.3 million for the quarter ended December 31, 2007 compared to \$1.0 million for the same period in 2006. The increase was attributable to additional revenue, a reduction in direct costs for BMS and Alliance HealthCard.

Sales and marketing expenses increased \$.1 million or 39%, to \$.3 million for the quarter ended December 31, 2007, compared to \$.2 million for the same period in 2006. Sales and marketing expenses as a percentage of revenue was 6% and 5% for the quarters ended December 31, 2007 and 2006 respectively. The increase was attributable to additional compensation and sales incentives for BMS and Alliance HealthCard.

General and administrative expenses increased \$.3 million or 45%, to \$.9 million for the quarter ended December 31, 2007 compared to \$.6 million for the same period in 2006. General and administrative expenses as a percentage of revenue were 19% and 17% for the quarters ended December 31, 2007 and 2006, respectively. The increase was primarily attributable to Alliance HealthCard.

Other income (expense) increased to (\$.04) million for the quarter ended December 31, 2007 compared to interest income of \$.02 million for the same period in 2006. The increase of (\$.06) million was related to the interest expense for the promissory notes issued in connection with the Merger.

### ***Liquidity and Capital Resources***

As of December 31, 2007, the Company had cash of \$2.8 million and working capital of (\$1.6) million. Cash provided by operating activities was \$1.1 million for the three months ended December 31, 2007 and \$.2 million for the three months ended December 31, 2006. The increase of \$.9 million was primarily attributable to the Merger.

Cash used in investing activities was \$.02 and \$.04 million for the three months ended December 31, 2007 and December 31, 2006, respectively.

Cash used in financing activities was \$.6 million for the three months ended December 31, 2007 compared to \$1.6 million for the three months ended December 31, 2006. The increase of \$1.0 million was primarily attributable to \$1.6 million for distributions paid to former shareholders of BMS for the quarter ended December 31, 2006 prior to the Merger.

The Company anticipates that cash on hand, together with cash flow from operations should be sufficient for the next twelve months to finance operations, make capital investments in the ordinary course of business, and pay indebtedness when due.

### **ITEM 3A (T). CONTROLS AND PROCEDURES**

The SEC defines the term "disclosure controls and procedures" to mean a company's controls and other procedures that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. The Company's principal executive officer and principal financial officer, based on their evaluation of the effectiveness of the Company's disclosure controls and procedures as of the end of the quarterly period covered by this report, concluded that the Company's disclosure controls and procedures were effective for this purpose.

Internal control over financial reporting consists of control processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with GAAP. To the extent that components of the Company's internal control over financial reporting are included in the Company's disclosure controls, they are included in the scope of the evaluation by the Company's principal executive officer and principal financial officer referenced above. There were no significant changes in the Company's internal control over financial reporting during the Company's first fiscal quarter of 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Table of Contents**

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings.**

On December 14, 2005, Bankers Fidelity Life Insurance Company ( Bankers Fidelity ) filed a demand for arbitration with Alliance HealthCard, Inc. The dispute involves the relative rights of our and Bankers Fidelity under the Prescription Drug Card and our Multi-Service Benefits Agreement. The demand involves a determination of our responsibilities, as well as certain other contract rights between us and Bankers Fidelity.

Bankers Fidelity Life Insurance Company seeks (1) payment by Alliance HealthCard, Inc. for prescriptions purchased by an Rx Card Holder or a Basic Card Holder; (2) full and complete copies of certain reports, including Utilization Summary Report, Customer Inquiry Report, Cancellation Report, and Membership Information Report; and (3) damages for fraud. The amount of the claim sought is \$75,000. Other relief sought includes attorney fees, interest and arbitration costs.

We are vigorously defending all claims made by Bankers Fidelity Life Insurance Company. The Demand for Arbitration is still in the discovery stage and therefore it is not possible at this time to determine the outcome or the effect, if any, that the outcome may have on our results of operations and financial condition.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

There are no items to report under this item.

**Item 3. Defaults Upon Senior Securities.**

There are no items to report under this item.

**Item 4. Submission of Matters to a Vote of Security Holders.**

No matters were submitted to a vote of security holders during the three months ended December 31, 2007.

**Item 5. Other Information.**

There are no items to report under this item.

**Item 6. Exhibits**

Exhibit 31.1 Certification Pursuant to Rule 13a-14(a) under the Securities Exchange act of 1934, as amended

Exhibit 31.2 Certification Pursuant to Rule 13a-14(a) under the Securities Exchange act of 1934, as amended.

Exhibit 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Alliance HealthCard, Inc.

February 12, 2008

By: /s/ Danny Wright  
Chief Executive Officer  
(Principal Executive Officer)

February 12, 2008

By: /s/ Rita McKeown  
Rita McKeown  
Chief Financial Officer  
(Principal Financial and Accounting Officer)