CareView Communications Inc
Form 10-K
March 15, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2011

¨ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from________ to ___________

Commission File No.: 000-1377149

CAREVIEW COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	95-4659068 (I.R.S. Employer Identification No.)

405 State Highway 121, Suite B-240, Lewisville, TX 75067
(Address of principal executive offices)

Registrant's telephone number, including area code: (972) 943-6050

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 $0.001
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨ Smaller reporting company ¨

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was $165,170,369. For purposes of the foregoing calculation only, directors, executive officers, and holders of 10% or more of the issuer's common capital stock have been deemed affiliates.

The number of shares outstanding of the Registrant's Common Stock as of March 15, 2012 was 132,086,376.

DOCUMENTS INCORPORATED BY REFERENCE:

None.

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INTRODUCTORY COMMENT

Throughout this Annual Report on Form 10-K (the “Report”), the terms “we,” “us,” “our,” “CareView,” or “our Company” ref to CareView Communications, Inc., a Nevada corporation, and unless otherwise specified, includes our wholly owned subsidiaries, CareView Communications, Inc., a Texas corporation (“CareView-TX”) and CareView Operations, LLC, a Nevada limited liability company (“CareView Operations”) (collectively known as the “Company’s Subsidiaries”) and its LLCs, CareView-Hillcrest and CareView-Saline, determined to be variable interest entities (“VIEs”) in which the Company exercises control and is deemed the Primary Beneficiary (collectively known as the “Company’s LLCs”).

PART I

ITEM 1. BUSINESS.

Historical Overview

CareView Communications, Inc. was incorporated in the State of California in July 1997 under the name Purpose, Inc., changing its name to Ecogate, Inc. in April 1999. In October 2007, the Company changed its name to CareView Communications, Inc. and in November 2007, the Company changed its state of incorporation to Nevada. (See Articles of Incorporation and amendments thereto, Exhibits 3.0 through 3.11 inclusive, which exhibits are incorporated herein by reference.)

From inception through September 28, 2007, the principal business of the Company (then known as Ecogate, Inc.) was the development of computer-controlled industrial ventilation systems. In conjunction with the acquisition of CareView Communications, Inc., as outlined in the following paragraph, all of the assets and liabilities of Ecogate, Inc. were transferred to a Nevada corporation where the business of Ecogate, Inc. continued as a private company.

On September 28, 2007, Ecogate, Inc. entered into a Securities Exchange Agreement (the “CareView Acquisition Agreement”) with CareView Communications, Inc., a Texas corporation (“CareView-TX”), and the shareholders of CareView-TX, whereby Ecogate, Inc. acquired 100% of the issued and outstanding shares of common stock of CareView-TX in exchange for the issuance of an aggregate of 87,684,910 shares of Ecogate, Inc. (the “CareView Acquisition”). Accordingly, CareView-TX became a wholly owned subsidiary of Ecogate, Inc. and the business of CareView-TX became the Company’s sole operating business and focus. The CareView Acquisition was accounted for as a reverse merger. (See Securities Exchange Agreement, Exhibit 2.0, which exhibit is incorporated herein by reference.)

The Company developed a suite of products and hardware to help connect patients, families and health care providers through one easy-to-install and simple-to-use system (the “CareView System™”). The CareView System™ runs on each hospital’s coaxial cable television network that provides television signals to patient room; consequently, CareView’s network does not need to run on or through the hospital’s specific IT infrastructure, thereby requiring minimal Internet technology involvement on the part of the hospital. The Company’s proprietary, high-speed data network system may be deployed throughout a healthcare facility and will provide the facility with recurring revenue and infrastructure for future applications. Real-time bedside and point-of-care video monitoring and recording improve efficiency while limiting liability, and entertainment packages and patient education enhance the patient’s quality of stay. There is no capital expenditure by a subscribing hospital as CareView provides all hardware and installation of the CareView System™ in each room at no charge. Fees paid to CareView by each hospital consists of monthly service fees for each system installed (one per bed) and an additional rate for each nursing station monitor. Additional shared revenue generated from entertainment services (MovieView®, NetView®, PatientView®, and BabyView®) purchased directly by patient consumers, are split between the hospital and CareView per the terms of each contract. CareView is dedicated to working with all types of hospitals, nursing homes, adult living centers and selected outpatient care

facilities domestically and internationally.

On November 16, 2009, the Company entered into a Master Investment Agreement (the “Rockwell Agreement”) with Rockwell Holdings I, LLC, a Wisconsin limited liability company (“Rockwell”). The Company will use the funds provided under the Rockwell Agreement to purchase the previously installed CareView Systems™ at two of its existing hospitals as well as to fund the purchase and installation of additional CareView System™ equipment to complete the installations at the two facilities. As of December 31, 2011, the Company has made 446 installations. Upon completion, it is anticipated that there will be over 900 installations of the CareView System™ in the combined facilities. (See Exhibits 10.44 through 10.53 inclusive, which exhibits are incorporated herein by reference.)

On March 8, 2011, the Company entered into a Master Agreement with Hospital Management Associates, Inc., a Delaware corporation (“HMA”) under which HMA will use the CareView System™ in each of its approximately 66 hospitals across the U.S. As of December 31, 2011, the Company has made 3,283 installations in 46 HMA hospitals.

On October 19, 2011, the Company entered into a Pilot Agreement with Palmetto Health Richland in Columbia, South Carolina (“Palmetto”), one of the largest hospitals in the southeast United States with 647 beds. Palmetto Health Richland is part of Palmetto Health, the region’s largest, most comprehensive, locally owned, not-for-profit healthcare resource which includes six hospitals. Under the Pilot Agreement, CareView will install its CareView System™ for a six-month trial basis in approximately 100 beds. The success of the Pilot Agreement could lead to the opportunity to contract with Palmetto Health for approximately 1,538 beds.

On November 29, 2011, the Company entered into a Pilot Agreement with IASIS Healthcare, a leading owner and operator of 18 acute care hospitals in high-growth urban and suburban markets in seven states (“IASIS”). Under the Pilot Agreement, CareView will install its CareView System™ for a six-month trial basis in approximately 500 beds in three hospitals located in Arizona and Texas. The success of the Pilot Agreement could lead to the opportunity to contract with Iasis for approximately 4,376 beds.

Bankruptcy Proceedings during the Past Five Years

Our Company has not been involved in any bankruptcy, receivership or any similar proceeding, and, except as set forth herein, we have not had or been party to any material reclassifications, mergers or consolidations during the previous five (5) years.

Business of Issuer

CareView offers a unique system that connects patients, families and healthcare providers (the “CareView System™”). Our mission is to be the leading provider of products and on-demand application services for the healthcare industry, specializing in bedside video monitoring, archiving and patient care documentation systems. Through the use of telecommunications technology and the Internet, our products and on-demand services will greatly increase the access to quality medical care and education for both consumers and healthcare professionals. CareView is dedicated to working with all types of hospitals, nursing homes, adult living centers and selected outpatient care facilities domestically and internationally.

The CareView System™ provides secure real-time and recorded video monitoring of patients as well as other value-added services. The easy-to-install CareView System™ runs over a hospital's existing cable television infrastructure and includes the Room Control Platform (RCP), head-end and nurse's station equipment, and a suite of complementary software applications. The CareView Systems™ is comprised of the following unique equipment:

- Head-End: This collection of server and networking equipment facilitates the CareView network in the hospital and serves as the aggregation point for all real-time video and patient data. The head-end is typically located in the server room of the hospital and one head-end is typically required per campus.
- Nursing Station: The CareView System™ provides nurses an all-in-one touch-screen computer for viewing real-time video and clinical monitoring of patients.
- Room Control Platform: One RCP is deployed per patient bed. The RCP is a microprocessor-based system consisting of a hard disk drive, cable modem, NTSC infrared camera and related controls, microphone, USB ports, wireless keyboard and wireless remote control. The complementary suite of software applications on the RCP are designed to streamline workflow and improve value-added services offered.

Our proprietary, high-speed data network system allows real-time bedside and point-of-care video monitoring and recording designed to improve efficiency while limiting liability of the healthcare provider. The entertainment packages and patient education enhance the patient's quality of stay. This technology may also act as an interface gateway for other software systems and medical devices going forward.

CareView understands the importance of providing high quality patient care in a safe environment and believes in partnering with hospitals to improve the quality of patient care and safety by providing a system that monitors and records continuously. We are committed to providing an affordable video monitoring tool to improve the practice of nursing and create a better work environment and to make the patient's hospital stay more informative and satisfying.

Equipment and System Installation Overview

Head-End

The Head-End is comprised of a server, cable modem termination system, firewall, switch and uninterruptible power supply and refers to the central location where the below-referenced equipment is housed, usually the server room. Frequently, equipment may reside in two locations; the server room and the cable demarcation point. One head-end is required per hospital campus; although a multi-campus hospital group may be served by using one full head-end combined with one or more Cable Modem Termination Systems (CMTS), as more fully described below.

- Servers: The CareView System™ employs two servers: the video gateway and the application server. Both are identical servers with each being able to provide the services of the other in the case of a failure. The servers we deploy are a mid-level enterprise server positioned for low power usage and high performance. These servers are typically two rack unit servers with moderate storage capabilities with the processing power to handle hundreds of RCPs and dozens of web-based clients (located at nursing stations or other areas in the hospital). CareView installs the servers in a CareView provided rolling rack, or if requested, can install them in the hospital's existing data rack.

- Cable Modem Termination System (CMTS): The CMTS acts as a network bridge between the Ethernet network (which all of the servers, nursing stations and end users are connected to) and the hybrid fiber/coaxial (HFC) cable network (which extends into each room to provide cable TV). The CMTS allows the RCPs, with their embedded cable modems, to communicate on the data network over the television cable in patient rooms. The CMTS resides near the cable demarcation point, or must have cable run to connect the demarcation point with a sufficiently cooled room which houses the CMTS. Typically, one hospital installation requires only one CMTS; however, occasionally a hospital will have an additional campus connected with a high-speed private data network, allowing implementation using an additional CMTS, but with no additional servers.

- Firewall: The firewall provides the CareView System™ with secure Internet connectivity and resides in the server room. The CareView System™ uses this Internet connectivity to remotely manage all hospital installations through the firewall, to provide remote software upgrade service, and to provide services for NetView® and PatientView®, as more fully described herein.

- Switch: The Ethernet switch provides network connectivity between the servers, CMTS, firewall, and hospital data network. CareView deploys one switch in the hospital server room.

- Uninterruptible Power Supply (UPS): If the hospital’s server room does not provide adequate room-level backup power, CareView will deploy one UPS for the hospital’s server room.

Pricing on components of the Head-End vary depending on manufacturer, quantity purchased, and price concessions negotiated on each purchase order.

Nursing Station

The CareView Nursing Station is the primary user interface for medical staff at the hospital. Nurses interact with the all-in-one touch screen to operate CareView’s NurseView®, Virtual Bed Rails™, and Ulcer Management Program™. One computer is deployed per nursing station.

Room Control Platform

The RCP is a microprocessor-based system consisting of a hard-disk drive, cable modem, NTSC infrared camera and related control, microphone, USB ports, wireless keyboard and wireless remote control. It allows real-time bedside and point-of-care video monitoring and recording designed to improve efficiency while limiting liability for healthcare facilities. CareView uses contract manufacturers to assemble the RCP.

Installation

All components are either built to the Company's specifications or altered at the Company's facilities prior to deployment. A typical head-end containing two servers, CMTS, firewall, switch, UPS, and Nursing Stations take a two-man team approximately 4.5 hours to install. RCPs are installed separately for each patient bed.

Our Service Offerings

CareView offers several unique services designed to meet hospital needs. In addition to enhancing quality care, the Company's services are offered with no capital expenditure by the hospital and do not interfere with the facility's current management information system. The CareView System™ is the next generation of patient care monitoring. The CareView System™ is a secure, real-time video-monitoring system that connects the patient to the nursing station for continual observation by the nursing staff while recording all movement within the patient's room for the length of the patient's stay.

The proprietary service offerings of the CareView System™ provide, among other things:

- Doctors, nurses and other healthcare providers with the ability to more efficiently and cost-effectively monitor, treat and visit their patients.
- Family members and friends with the ability to use the Internet to monitor, correspond with, and visit with their loved ones in hospitals and nursing homes.
- Patients and their visitors with direct access to on-demand high-speed Internet and other digital entertainment products and services in their rooms.
- Facilities with the ability to implement audit tools to insure quality standards are being adhered to, safety measures are being complied with and both can be used to further educate caregivers to continually enhance quality and safety.
- A patent-pending fall prevention system.
- Innovative mobile technology to improve patient safety.

The CareView System™, which is fully compliant with the government mandated Health Insurance Portability Accountability Act of 1996 ("HIPPA"), can be easily configured to meet the individual privacy and security requirements of any hospital or nursing facility. This patient approved video record can be part of the patient's medical file and serve as additional documentation of care/procedures performed, patient and hospital ancillary activity, incident documentation, support for clinical and support services, and if necessary, evidence. Through continued investment in video patient care monitoring, CareView is helping hospitals and nursing homes build a safer, higher quality healthcare delivery system that best serves the patient while striving for the highest levels of satisfaction and comfort.

The Company currently offers the following services: SecureView®, NurseView®, PhysicianView®, Virtual Bed Rails™, SitterView™, PatientView®, NetView®, MovieView®, FacilityView®, BabyView® and EquipmentView®. There is no other product currently available that offers all of these important capabilities in one package. The Company is committed to becoming a leading information technology provider to the healthcare industry.

The Company offers the CareView System™ in its Primary Package, Patient Services Package, and Connectivity Package as outlined below.

Primary Package

The Company's Primary Package provides nursing staff the ability to monitor patients from the nursing station on a continuous basis, eliminating the need for countless trips to a patient's room, while prompting important visits to patients who need immediate attention. This package allows physicians to visit their patients remotely at times when they are unable to make a personal visit. The benefits of the Primary Package are (i) increased efficiency of nursing staff, (ii) greater access for physicians, (iii) enhanced quality of care, and (iv) improved patient safety. Risk management and risk financing are both positively impacted by the continuous observation, monitoring and recording of all activities in patients' rooms, making a convenient and necessary video incident report readily available.

The Primary Package usually includes SecureView®, NurseView®, PhysicianView®, Virtual Bed Rails™ and Fall Management Program.

SecureView® is a unique video monitoring system that offers comprehensive patient attention with documentation and recording of all activity in patients' room, ancillary departments, waiting rooms, hallways, stairwells, back doors, inventory areas and parking lots. SecureView® takes the guess work and uncertainty out of patient care and safety.

SecureView®:

- Offers comprehensive patient attention with documentation and recording of all in-room activity.
- Provides risk managers with a "Video Incident Report."
- Provides a thorough recorded documentation of patient care which will eliminate the need to fund frivolous claims.
- Documents and records the provision of care, administration of drugs, nursing visits, housekeeping service, dietary delivery and patient movements.
- Provides enhanced patient safety.
- Provides a record of "Best Practice."[1]

NurseView® is an effective remote monitoring tool designed to create a more effective and efficient hospital environment. It provides the nursing staff the ability to (i) continually monitor multiple patients at once, (ii) see what is happening in each patient's room, and (iii) view recorded observations should documentation become necessary.

NurseView®:

- Provides a continual observation and monitoring system for nurses.
- Provides a room security system.
- Provides a documentation system of patient care.
- Provides constant visual contact and reduces unnecessary trips to a patient's room.
- Uses infrared cameras to allow night viewing without disturbing the patient.

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1 "Best Practice" is a technique, method, process, activity, incentive, or reward that is believed to be more effective at delivering a particular outcome than any other technique, method, process, etc. when applied to a particular condition or circumstance. The idea is that with proper processes, checks, and testing, a desired outcome can be delivered with fewer problems and unforeseen complications. Best practices can also be defined as the most efficient (least amount of effort) and effective (best results) way of accomplishing a task, based on repeatable procedures that have proven themselves over time for large numbers of people.

- Provides the patient and their family with comfort by knowing that a trained medical professional is always watching.
- Provides remote monitoring features that enhance patient care by:
  - Alerting nurses to patient movement thereby protecting an unsecured patient.
  - Giving nurses visual confirmation that bed rails are in their proper position.
  - Creating a team nursing concept – one nurse stays at the nursing station to monitor rooms while another provides a rapid response to a patient's need.

PhysicianView® enables physicians to make E-visits and video rounds from any personal computer or personal digital assistant (PDA). PhysicianView® provides more effective use of a physician's time, improves quality and timeliness of patient care, and provides physicians with a reimbursable event. The CareView System™ accommodates this type of two-way communication between physician and patient, providing the physician with a "paid office visit" even when treating the patient from a remote location.

PhysicianView®:

- Allows physicians to make video rounds remotely from any computer or PDA.
- Promotes immediate access to patients when they need it most.
- Improves the quality and timeliness of patient care.
- Provides physicians with the capability to leave notes for the patient's family.
- Increases physician-to-patient communication.
- Provides doctors with a reimbursable event.

Virtual Bed Rails™ is a fall prediction system that monitors a patient's activity while in bed and provides healthcare facilities with a management tool to review all patient falls, averted falls and response time to falls, and establishes a review tool to improve the hospital's performance regarding risk of falls. Once Virtual Bed Rails™ are engaged for a patient at high risk for a fall, the CareView System™ automatically identifies the particular patient/room within the system and creates an archive that specific patients have been so protected. Should a protected patient fall, the hospital can easily identify these flagged patients and quickly review the incident to determine why the fall occurred. Each facility can manage falls by reviewing the files of all or selected high risk patients that are being protected by Virtual Bed Rails™.

This user-friendly fall prevention program alerts nurses to patient movement and the need for quick intervention, and provides a real-time video image of the patient. If the patient breaches the virtual bed rails, a fall alert is immediately transmitted to the healthcare professional at the nurse's station. Virtual Bed Rails™ are actually 'virtual'; no special sensors or additional equipment is required in the room and the bed rails are completely invisible to everyone except the person monitoring the patient. Any defined movement that crosses over the virtual bed rail triggers an on-screen alarm to alert the nursing staff of the breach.

Virtual Bed Rails™:

- Alerts nursing staff of potential patient falls.
- Creates an opportunity for immediate intervention to prevent a fall.
- Improves safety of patients and saves lives.

Fall Management Program is a management tool to review all patient falls, averted falls and response time to falls, and establishes a review tool to improve the hospital's performance regarding risk of falls.

Once Virtual Bed Rails™ are engaged for a patient at high risk for a fall, the CareView System™ automatically identifies the particular patient/room within the system and creates an archive that specific patients have been so protected. Should a protected patient fall, the hospital can easily identify these flagged patients and quickly review the incident to determine why the fall occurred. Each facility can manage falls by reviewing the files of all or selected high risk patients that are being protected by Virtual Bed Rails™.

Patient Services Package

Healthcare facilities are striving to create a positive experience for patients while they are confined to bed. A patient's stay can become more enjoyable through the use of the View Products™ application of the CareView System™ offered in the Patient Services Package. Products in the Patient Services Package are purchased individually by patient/users. The revenue generated can be shared between CareView and the hospital or the hospital can negotiate a price with CareView and provide the services at no charge to their patients.

View Products™: The View Products™ application of the CareView System™ focuses on making the patient's hospital experience better. From admission to discharge, this application is focused on the patient, their family, peace of mind, and better communication and education. It also provides easy, affordable access to the Internet, first run movies and the ability for patients to electronically visit a loved one anyone in the world. The View Products™ application includes:

a. PatientView™ – Allows families and friends to electronically visit loved ones in the patient's room from anywhere in the world.
b. NetView™ – Using the CareView System and the hospital television, patients gain high speed Internet access.
c. MovieView™ – Patients and families can watch first run movies in patient's rooms.
d. BabyView™ – Patients can continually have their new baby in sight while the baby is in the nursery or NICU.
e. Patient Education – Provides and documents pre-procedure and/or condition videos at the bedside and allows medical staff to view images and diagnostic test results at bedside.
f. Admission Welcome Package – Welcomes the patient, continually informs the patient, allows the patient to complete surveys during their stay and to e-mail hospital departments directly.
g. Discharge Salutation Package – Provides a discharge process that is more efficient, communicates a more consistent message, and educates the patient about their condition. It also informs patients about the survey they will be asked to complete prior to discharge, solicits their recommendations while their stay is fresh on their mind, and thanks them for their trust in the hospital.

Effective October 1, 2012, the Centers for Medicare & Medicaid Services can begin to withhold one percent (1%), an estimated $850 million, of regular reimbursements based on hospital performance. The patient experience at the hospital makes up for thirty percent (30%) of that total bonus payment. The View Products™ is a collection of patient amenity offerings that hospitals can use to enhance patient satisfaction to increase the likelihood of full reimbursement for services provided.

PatientView® is a unique and innovative service that can be enjoyed by patients, friends and family. This HIPPA-compliant feature allows a patient's family and friends to remotely monitor the hospital stay and visit via live video and audio feed. It also provides a message board that can be used as a family communication network during the patient's stay to provide HIPPA-compliant updates on the patient's condition.

PatientView®:

- Enhances satisfaction of patients, families and friends.
- Allows family and friends to monitor the patient’s recovery from any computer.
- Provides a message board with updated patient condition.
- Increases safety and security.
- Provides peace of mind for the patient and family.

NetView® and MovieView® provide patients and visitors the ability to stay informed, keep in touch and be entertained using a wireless keyboard and the television in the patient’s room. It enables the delivery of patient-specific education, content and digital entertainment products, services and advertising. Each healthcare facility has the ability to fully customize the look and feel of the TV screen for individual branding.

NetView®:

- Enables Internet access in the patient’s room without the need of a personal laptop computer.
- Provides a high-speed Internet connection to browse favorite Internet sites.
- Allows patients to check E-mail and stay in touch with friends and families and with business and personal interests.

MovieView®:

- Provides a state-of-the-art entertainment system with a wide variety of programming.
- Allows patients to view first run movies and a variety of programming on demand in the comfort of their hospital room.

BabyView® provides a live, continual feed from the nursery or Neo-Natal Intensive Care (NICU) to allow a mother to view her newborn from her hospital room.

Ancillary Products

The Company currently offers several ancillary products to supplement the CareView System™. These items are charged separately from the CareView System™ and are available to new and existing hospitals.

SitterView™: SitterView™ is an innovative application that employs mobile technology to enable healthcare providers to better utilize patient sitters, improve patient safety and utilize the safety feature of CareView’s NurseView™ and Virtual Bed Rails™ applications. The SitterView™ application focuses on utilizing sitters more effectively, allowing the CareView Virtual Bed Rails™ application to be monitored by those at the nursing station and on SitterView™ smart pads while simultaneiously reducing overall sitter costs, helping the hospital create a safer environment and reducing patient falls. SitterView™ requires the use of a smart pad loaded with CareView’s proprietary software. SitterView™ was made available to customers on February 1, 2012.

Patient Activity Board: Typically, white boards are located on each floor of a hospital to track patient care. These white boards require a great deal of manpower to keep them updated. CareView’s Patient Activity Board is a large screen flat panel monitor mounted in areas of the hospital where white boards are currently used. Patient Activity Boards are easily deployable through CareView Systems™ that are networked over the hospital’s existing coaxial cable at a considerable cost savings to the hospital as compared to running new cabling to each monitor.

FacilityView®: This application will act as the security surveillance system providing access to live video feeds throughout the facility wherever a CareView camera is located (except for patient rooms). All privacy and access options will be determined and configured by the hospital. This application is not currently being marketed by the Company.

Connectivity Package

Once available, the Connectivity Package is anticipated to include EquipmentView™, RFID Tracking (“Radio Frequency Identification Tracking”) and Wi-Fi.

EquipmentView™ will enable CareView’s RCP to wirelessly communicate with equipment, appliances and devices in the patient’s room and with other Company applications and healthcare information systems using Bluetooth, 802.11, infrared or RFID technology. This feature will allow nurses the ability to see all patient readouts and assess all clinical indictors on one screen from the nursing station. Quick, complete access to this information for multiple patients will greatly improve care and save lives.

RFID Tracking will enable the CareView System™ to locate the hospital’s assets and/or patients throughout the facility.

The entire hospital will be able to access the Internet wirelessly through a Wi-Fi network in the CareView System™.

Private Hospital Network

The CareView System™ provides healthcare facilities the opportunity to have their own private cable network with no capital investment and the opportunity to develop another profit center.

When the CareView System™ is activated for the patient, they will be shown a greeting message from the hospital’s CEO and a short orientation of the facility through an existing commercial, slide show or movie. Additional items, such as room service menus, calendar of events, patient/guest guides and even ordering through the gift shop, can be linked through the CareView System™.

The CareView System™ also assists patients as they get ready to leave by providing them valuable information regarding follow-up care and provides feedback to the facility regarding their stay through a Satisfaction Survey. Patients can be provided discharge instructions (such as diets, E-scripts, and follow-up appointments), and receive a message from hospital management or their personal physician. The system can also send an e-mail to family and friends announcing the discharge.

Revenue Streams

The CareView System™ is provided and installed in healthcare facilities at no charge to the facility after which the Company generates revenue from subscriptions to its services. CareView works with each hospital on pricing, which in the opinion of CareView and the hospital, would offer an affordable package based on the demographics of the hospital's patients or which offers the hospital a product that is more competitive than other hospitals. The pricing structure with each hospital is negotiated separately and may vary depending on the hospital's desire to include any premium services to its patient at no charge to the patient. Typically, the Company offers the Primary Package (including SecureView®, NurseView®, PhysicianView®, Virtual Bed Rail™ and education programming) at a price per bed with varying price structures based on number of beds in each facility. The Patient Services Package (PatientView®, MovieView®, BabyView® and NetView®) is generally offered to the patient at a per 24-hour period. The hospital may elect to charge a package price for all services for any combination of days, including a package for the patient's entire stay. Each facility may decide to bundle products for specialty pricing to the patients or may offer any or all services at no charge to the patient. All revenue generated by the Company during the last three fiscal years was derived from the sale of the CareView System™ and related services to hospitals.

Products in Development

The Company has several product offerings in development including:

- A third generation Room Control Platform (the "Generation 3 RCP"): The Generation 3 RCP will incorporate a much higher percentage of proprietary design. The present RCP uses several third party modules which develops a level of dependence on these third party modules and their suppliers. The Generation 3 RCP will incorporate a Comexpress design to eliminate the variances which can be introduced by third party suppliers. The Generation 3 RCP will have a 7-year parts life guarantee by all of the major component manufacturers to ensure consistency in manufacturing for at least that 7-year period. In addition, the Generation 3 RCP will be physically smaller in size which will reduce the cost of the unit. The Generation 3 RCP is tentatively scheduled for production in the third quarter of 2012.

- Ulcer Management Module: The ulcer management software is presently in beta testing trials and the Company anticipates a commercial roll out in the second half of 2012. This module uses proprietary and patent pending techniques to detect if a patient has moved sufficiently as to relieve pressure areas susceptible to decubitus ulcers. The module works in concert with our Virtual Bed Rails™ system to alert healthcare employees of the need to turn a patient in a timely manner. The algorithms used detect the motion of a patient even while covered with bed linens. The system remains silent if the patient has moved enough to comply with the maximum times established by the industry to prevent bed sores. In the event the patient has not moved to a sufficient degree, the system will alarm the healthcare professional to turn the patient. Additionally, the module will document the procedure through both the data base and video recordings.

- Device for Chinese Medical Industry to monitor vital signs: In connection with the letter of intent with Weigao Holding, CareView has begun development on a module to monitor and record patients' blood pressure, pulse, ECG and heart rate. This device will interface with the CareView System™ to deliver this information to a nursing station and will alert nurses in the event a patient's vitals fall outside of a given set of parameters. This device will be developed specifically for the Chinese market due to high ratio of patients to nurses. The Company has completed the hardware design for the product. The software development to control the device is being designed by outside contractors and no definitive completion date has yet been established. It is anticipated that the software will be ready for beta testing in the third or fourth quarter of 2012.

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- RFID: Presently CareView has been testing several RFID products from various manufacturers to be used in connection with the CareView System™. It is CareView's intent to offer its customers a third party RFID solution tied to the CareView System™. As the infrastructure of the CareView System™ will already be in place at each hospital, this approach will allow CareView to provide the service at a greatly reduced price to the hospital versus the hospital contracting directly with other firms in the RFID business. The development of this RFID product has been delayed due to the increased demand for development and deployment of other of the Company's new products.

- Virtual Chair Rails™: This new product will place invisible sensors around the perimeter of a chair to protect patients who are at-risk for a fall. When the set boundary is pierced (top, bottom and/or sides) the nurse is immediately alerted. We anticipate that Virtual Chair Rails™ will be ready for deployment in the second quarter 2012.

- BedView™: This application will provide the hospital with control over the activity and usage of each bed in the hospital. By placing monitors in the admitting, housekeeping, emergency and other service departments, the hospital will continually know the status of each room in real time. The status of each room is clearly noted (i.e., occupied, vacant but awaiting housekeeping, not available due to repair, etc.) on authorized monitors. Effective use of BedView™ will aid in more efficient bed turnover, the ability to monitor the cleaning process, and the ability to see other activity in the room in question. We anticipate that BedView™ will be ready for deployment by the end of the first quarter 2012.

Hospital Agreements

The Company offers its products and services for the CareView System™ through a subscription-based and/or shared revenue-pricing agreement with the medical facility (the "Hospital Agreement"). During the term of the Hospital Agreement, the Company provides continuous monitoring of the CareView System™ and maintains and services all CareView System™ equipment. Terms of each Hospital Agreement requires the hospital to pay CareView a monthly subscription fee based on the number of installed rooms for the Primary Package (which includes SecureView®, NurseView®, PhysicianView®, Virtual Bed Rails™, and patient education). Terms also provide for CareView to collect the revenue from its Shared Revenue Package (which includes PatientView®, NetView®, MovieView® and BabyView®) which is split on a contracted basis between the Company and each hospital. Unless a separate agreement to the contrary is negotiated between CareView and the hospital, all shared revenue is collected from the patient or someone connected to the patient by CareView online through a credit card or PayPal transaction. CareView then remits the portion due to the hospital on a monthly basis. None of the services provided through the Primary Package or the Shared Revenue Package are paid by any third party provider including insurance companies, Medicare or Medicaid.

CareView's Hospital Agreements are usually for a five (5) year period with a provision for automatic renewal on its anniversary date for each successive year unless CareView receives written notice of termination from the medical facility within thirty (30) days prior to the anniversary date. CareView owns all right, title, and interest in and to the CareView equipment installed at each location and agrees to maintain and repair all equipment, although CareView may charge for repairs or replacements due to damage or misuse. CareView is not responsible for maintaining data arising from use of the CareView System™ or for transmission errors, corruption or compromise of data carried over local or interchange telecommunication carriers. CareView maintains the right to insert two (2) channels onto the medical facilities' network to support education and marketing of the CareView System™ and will have the right to transmit data to further the education and marketing features of the CareView System™. Subject to other terms of the Hospital Agreement, CareView grants each medical facility a limited, revocable, non-transferable and non-exclusive license to use the software, network facilities, content and documentation on and in the CareView System™ to the extent, and only to the extent, necessary to access, explore and otherwise use the CareView System™ in real time. Such non-exclusive license expires upon termination of the Hospital Agreement. (See form of Products and Services Agreement (a/k/a Hospital Agreement), Exhibit 10.01, which exhibit is incorporated herein by reference.)

The Company's various Hospital Agreements, excluding hospitals covered under the HMA agreement and all pilot agreements, cover seven (7) hospitals with an aggregate available bed count of approximately 3,350 beds of which 723 beds were deployed as of December 31, 2011. The HMA Hospital Agreement relative to its 66 hospitals currently represents 9,500 beds of which 4,345 were deployed and are in various phases of training and billing cycles. At December 31, 2011, the Company's collective Hospital Agreements cover an aggregate of 12,850 beds of which 5,068 are deployed.

Availability of Suppliers

The Company is not dependent on, nor expects to become dependent on, any one or a limited number of suppliers. The Company buys parts and components to assemble its equipment and products. The Company does not manufacture or fabricate its own products or systems. The Company relies on sub-suppliers and third party vendors to procure and/or fabricate its components based on its design, engineering and specifications. The Company also enters into subcontracts for field installation of the CareView System™, which the Company supervises. The Company manages all technical, physical and commercial aspects of the performance of its contracts with sub-suppliers and third party vendors. The Company has experienced no difficulties in obtaining fabricated components, materials and parts or in identifying qualified subcontractors for installation work.

Sales, Marketing and Customer Service

The Company does not consider its business to be seasonal. The Company generates sale leads through a variety of means including direct one-to-one marketing, E-campaigns, customer and industry referrals, strategic partnerships, and trade shows and events. The Company's sales team consists of highly trained sales professionals with many years of experience in the hospital and nursing home markets.

The Company's selling methodology focuses on the following factors:

- significant and tangible cost savings,
- reducing Never Events2,
- improved documentation, quality and timeliness of patient care,
- enhanced safety and security,

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2 The term “Never Event” was first introduced in 2001 by Ken Kizer, MD, former CEO of the National Quality Forum (NQF), in reference to particularly shocking medical errors (such as wrong-site surgery) that should never occur. Over time, the list has been expanded to signify adverse events that are unambiguous (clearly identifiable and measurable), serious (resulting in death or significant disability), and usually preventable. The NQF initially defined 27 such events in 2002 and revised and expanded the list in 2006. The list is grouped into six event categories: surgical, product or device, patient protection, care management, environmental, and criminal.

- support for new technologies,
- business growth,
- return on investment (ROI), and
- enhanced patient satisfaction.

Our initial focus is to pursue large for-profit hospital management companies that own multiple facilities and large not-for-profit integrated delivery networks in major metropolitan areas. Our sales staff approaches decision makers for hospitals and nursing homes to present and demonstrate the CareView product line. We believe that our sales staff will monitor our current existing relationships and develop new ones through referral, prospecting and networking. We provide our sales staff with prospective targets and set quarterly goals.

In October 2011, the Company staffed its Sales and Marketing Department. Both internal and contract resources are contacting hospitals, IDNs3, and major owners and operators of hospitals to introduce the CareView System™. The Company hired a Sales Manager (Hospital Division), a Sales Account Executive and a commission-only sales person.

As mentioned herein at Recent Events, the Company entered into an exclusive National Business Development Services Agreement with Relamatrix Group, Inc. ("RMG") through which RMG will use its Corporate Ambassador Program to facilitate business opportunities for CareView and its products by identifying business development targets and potential strategic partners with healthcare organizations.

We will support both direct and indirect channel sales with a comprehensive range of product marketing, pre-sales and marketing communications services. These services are provided by a mix of internal staff and outsourced creative, media and consulting firms. Specific responsibilities include:

- providing a low cost entry, revenue sharing strategy to ultimately position CareView as a profit center for our clients;
- providing sales ROI analysis tools, training, materials, product demonstrations and account specific support;
- effectively promoting the CareView System™ through our corporate website, product collateral, articles and white papers;
- participating in trade shows, keynote speaking engagements, key analyst events, user groups and partner events; and
- leveraging the vast industry contacts of our Chairman, the Honorable Tommy G. Thompson.

In addition to favorable economics and enhanced patient care, safety and satisfaction, the Company also competes on the basis of quality of services provided. Management believes that the shared revenue opportunity will (i) prompt each healthcare facility to promote patients' use of NetView®, MovieView®, and PatientView®, and (ii) encourage the hospital to expand its use of pre-procedure and condition videos, welcome videos, surveys, and E-scripting and E-Scheduling services.

The Company insures high levels of customer service by focusing efforts to provide both automated and personal assistance for every issue the customer may encounter when using the CareView System™. The Company maintains a small supply of RCPs at the customers site should an existing unit need repair. The majority of repairs are performed in house at the Company's headquarters and the unit is placed back in service. The Company maintains a minimal on-hand supply of RCPs, head ends and nurse stations at its warehouse due to adequate sources of product and favorable lead times. The Company is confident that due to favorable lead times and adequate sourcing for the main components, that it will be able to meet most rapid delivery requirements.

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3 An Integrated Delivery Network (IDN) is a network of facilities and providers working together to offer a continuum of care to a specific market or geographic area.

Intellectual Property

Our success depends, in part, on our ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of others. Our intellectual property portfolio is one of the means by which we attempt to protect our competitive position. We rely primarily on a combination of know-how, trade secrets, patents, trademarks and contractual restrictions to protect our products and to maintain our competitive position. We are constantly seeking ways to protect our intellectual property through registrations in relevant jurisdictions.

We have received patents from the U.S. Patent and Trademark Office (the “USPTO”) and have numerous patents pending. We intend to file additional patent applications when appropriate; however, we may not file any such applications or, if filed, the patents may not be issued. We have numerous registered trademarks.

We intend to aggressively prosecute, enforce and defend our patents, trademarks and proprietary technology. The loss, by expiration or otherwise, of any one patents may have a material effect on our business. Defense and enforcement of our intellectual property rights can be expensive and time consuming, even if the outcome is favorable to us. It is possible that the patents issued to or licensed to us will be successfully challenged, that a court may find that we are infringing validly issued patents of third parties, or that we may have to alter or discontinue the development of our products or pay licensing fees to take into account patent rights of third parties.

Joint Venture with Rockwell Holdings

On November 16, 2009, the Company entered into a Master Investment Agreement (the “Rockwell Agreement”) with Rockwell Holdings I, LLC, a Wisconsin limited liability (“Rockwell”). Under the terms of the Rockwell Agreement, the Company will use funds from Rockwell to fully implement the CareView System™ in Hillcrest Medical Center in Tulsa, Oklahoma (“Hillcrest”) and Saline Memorial Hospital in Benton, Arkansas (“Saline”) (the “Project Hospital(s)”).

Both Rockwell and the Company own 50% of each Project LLC formed for the Project Hospitals. CareView contributed its intellectual property rights and its hospital contract with each Project Hospital. Rockwell contributed cash to be used for the purchase of equipment for the Project LLCs with 50% attributed to a promissory note bearing interest at 10% and 50% attributed to member’s equity. The Project Notes are secured by a security interest in all of the equipment in the Project Hospitals, intellectual property rights, and the Project Hospital Contract. Additionally, the Project LLCs have an obligation to pay Rockwell a Preferential Return (the amount of Rockwell’s aggregate capital contribution to the Project LLCs plus ten percent (10%) per annum, compounded annually). The Company classified this obligation as a liability since it represents an unconditional obligation by the Company to pay Rockwell’s Preferential Return on each Project LLC and is recorded in mandatorily redeemable equity in joint venture on the consolidated balance sheet.

The Project LLCs were within the scope of the variable interest entities (VIE) subsection of the Financial Accounting Standards Board Accounting Standards Codification and we determined the Project LLCs are VIEs based on the fact that the total equity investment at risk was not sufficient to finance the entities activities without additional financial support. The Company consolidates the Project LLCs as it has the power to direct the activities and an obligation to absorb losses of the VIEs.

As additional consideration to Rockwell for providing the funding, the Company granted Rockwell 1,151,206 Warrants valued at $1,124,728 (the "Project Warrants"). The Project Warrants were valued using the Black-Scholes Model on the date of the Rockwell Agreement using a term of five (5) years; volatility of 89.21%; risk free rate of 2.19%; and a dividend yield of 0%. The Warrants are classified as equity and are included in additional paid-in-capital on the consolidated balance sheet. The Company allocated the proceeds to the Project Warrants and the Project Notes or Preferential Returns based on the relative fair value. The originally recorded debt discount of $636,752 is being amortized over the life of the debt, and recorded as interest expense in other income (expense) on the consolidated financial statements. Amortization expense totaled $174,964, $171,309 and $24,540 for the years ended December 31, 2011, 2010, and 2009, respectively. As any additional funding is provided, the Company will issue additional Project Warrants to Rockwell and calculate the fair value of those warrants and record them in the financial statements when they are due or issued. (For more information, see Exhibits 10.44 through 10.53 inclusive, which exhibits are incorporated herein by reference.)

Lease Line of Credit with Fountain Fund 2 LP

On January 28, 2010, the Company entered into a letter of agreement with Fountain Fund 2 LP, managed by Fountain Partners of San Francisco ("Fountain") for a lease line of credit for up to $5 million (the "Lease Line"). Under the Lease Line, CareView agreed to lease installed CareView Systems™ from Fountain and repay the draws on the Lease Line over a period of three (3) years. The draw window was open until December 5, 2010 ("Draw Window"). CareView agreed to pay Fountain a deposit of two percent (2%) of the unused Lease Line amount and on January 29, 2010 and April 22, 2010, paid $20,000 and $80,000, respectively. Upon execution of the Lease Line, CareView issued a ten-year Common Stock Purchase Warrant (the "Warrant") to purchase a total of 450,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. In association with the Lease Line, the Company paid Mann Equity, LLC a cash fee of $100,000 and issued a five-year Warrant to purchase 400,000 underlying shares of the Company's Common Stock at $0.52. The Lease Line expired on December 5, 2010 without being renewed. (See Master Lease, Exhibit 10.55, Cooperative Agreement with Mann Equity, LLC, Exhibit 10.38, and Addendum to Cooperative Agreement with Mann Equity, LLC, Exhibit 10.58, which exhibits are incorporated herein by reference.)

Letter of Intent with Weigao Holding Company Limited

On April 13, 2010, the Company entered into a letter of intent ("LOI") with AFH Holdings and Advisory, LLC, a Nevada limited liability company, Discovery Medical Investments, LLC, a California limited liability company and Mann Equity, LLC, a California limited liability company (deemed together to be the "LLC Parties"). The purpose of the LOI was to introduce and negotiate a transaction with a target company doing business in The People's Republic of China, Hong Kong, and Taiwan, which target company was later identified as Weigao Holding Company Limited ("Weigao Holding"). The ultimate transaction would include a joint venture between Weigao Holding and CareView (the "China JV") wherein CareView would agree to grant Weigao Holding an exclusive license to certain intellectual property, manufacturing rights, and guaranteed services to be provided by the Company relating to the CareView System™. Under the terms of the LOI, CareView agreed to transfer to the LLC Parties a portion of its ownership in the China JV. (See Letter of Intent [with LLC Parties], Exhibit 10.57, which exhibit is incorporated herein by reference.)

On July 29, 2010, an Amendment Agreement was entered into between the Company and the LLC Parties amending and setting forth the applicable percentage of ownership interest and gross revenue sharing for each of CareView and the LLC Parties in CareView's interest in the China JV wherein CareView will own 70% of its interest and each of the LLC Parties will own 10% of CareView's interest in the China JV. (See Amendment Agreement [with LLC Parties], Exhibit 10.60, which exhibit is incorporated herein by reference.)

In connection with the services provided by the LLC Parties as outlined above, on May 26, 2010, the Company signed a letter of intent with Weigao Holding (the "Weigao LOI") to enter into the proposed joint venture. Weigao Holding claims to be the leading medical device manufacturer in the People's Republic of China ("PRC"). Upon the successful execution of definitive documents, Weigao Holding will hold an exclusive license to manufacture and distribute the CareView System™ in the PRC. Both CareView and Weigao Holding have identified the major need to improve the level of care in acute care medical facilities in the PRC. Of particular importance is the anticipated use of the EquipmentView® module of the CareView System™ that would allow Weigao Holding to significantly advance the level of care in the more than 8,800 medical facilities it services. The Weigao LOI provided for termination if definitive documents were not executed prior to August 1, 2010. The Company and Weigao Holding subsequently agreed to extend that date until the later of January 1, 2011 or thirty (30) days after the completion of beta testing of units by Weigao in China. The Company has completed the hardware design for the product. The software development to control the device is being designed by outside contractors and no definitive completion date has yet been established. It is anticipated that the software will be ready for beta testing in the third or fourth quarter of 2012. (See Letter of Intent with Weigao Holding, Exhibit 10.59, which exhibit is incorporated herein by reference.)

Subscription and Investor Rights Agreement with T2 Consulting, LLC and Tommy G. Thompson

On August 20, 2010, in an effort to resolve all past, current and future claims due pursuant to a Subscription and Investor Rights Agreement ("Subscription Agreement") with an entity known as T2 Consulting, LLC ("T2"), and the principals of T2, namely Tommy G. Thompson ("Thompson"), Gerald L. Murphy ("Murphy") , and Dennis Langley ("Langley"), the Company entered into a Revocation and Substitution Agreement with T2, Thompson, Murphy and Langley (the "Agreement"). In exchange for the revocation of the Subscription Agreement by T2, Thompson, Murphy and Langley, the Company agreed to issue to each of Thompson, Murphy, and Langley a five-year Common Stock Purchase Warrant ("Warrant") to purchase 1,000,000 shares of the Company's Common Stock at an exercise price of $1.00 per share. The Warrants were valued on the date of the grant using their five (5) year term; volatility of 94.12%; risk free rate of 1.47%; and a dividend yield of 0%. The valuation methodology used to determine the fair value of the Warrants issued was the Black-Scholes Model, and accordingly calculated a fair value of $4,080,000 and reported as contract modification expense in general and administration during the quarter ended September 30, 2010. The Company's Board of Directors believes the Agreement is in the best interest of all the shareholders of the Company and has determined that it is not necessary to obtain a 'fairness' opinion from an independent third-party.

As additional consideration for the revocation of the Subscription Agreement, the Company executed an Agreement Regarding Gross Income Interest (the "GII Agreement") with each of Thompson, Murphy and Langley dated August 20, 2010. The GII Agreement does not have a termination date; however it does provide that the Company has the right to acquire the GII of Thompson, Murphy and Langley from September 1, 2013 until December 31, 2015, and that Thompson, Murphy and Langley each have the right to require that their respective GII be purchased by the Company any time from September 1, 2011 until December 31, 2015. Accordingly, as of December 31, 2011, based on actual revenue, the Company recorded a liability for the GII Owner's Put of $10,360 (the estimated fair value of the GII Owner's Put). This liability will be analyzed and updated quarterly, based on actual revenues. In an additional term in the GII Agreement with Langley, the Company agreed that an affiliate of Langley shall be granted a distribution and sales agreement for the Company's products for government entities in the U.S. including, but not limited to, HHS, VA, DOD and state and local governments. Terms of the distribution agreement will be negotiated at a future date. (See Exhibits 10.00, 10.08, and 10.63 through 10.67 inclusive, which exhibits are incorporated herein by reference.)

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Agreement with HMA

On March 8, 2011, the Company entered into a Master Agreement with Hospital Management Associates, Inc., a Delaware corporation ("HMA"). Terms of the Master Agreement provide for (i) HMA to use the CareView System™ in each of its approximately 66 hospitals across the U.S. and (ii) CareView to provide the Primary Package and preferential pricing in exchange for the volume provided by HMA. As of December 31, 2011, the Company had deployed 4,345 RCPs at HMA hospitals.

Agreements with HealthCor

On April 21, 2011, CareView Communications, Inc. ("CareView" or the "Company") entered into and closed a Note and Warrant Purchase Agreement (the "Purchase Agreement") with HealthCor Partners Fund, LP and HealthCor Hybrid Offshore Master Fund, LP (the "Investors"). Pursuant to the Purchase Agreement, the Company sold Senior Secured Convertible Notes to the Investors in the principal amount of $9,316,000 and $10,684,000 respectively (collectively the "Notes"). The Notes have a maturity date of April 20, 2021.

So long as no Event of Default (defined in the Notes) has occurred and is continuing, the outstanding principal balances of the Notes accrue interest from April 21, 2011 through April 20, 2016 (the "First Five Year Note Period"), at the rate of twelve and one-half percent (12.5%) per annum (based on a 360-day year and the actual number of days elapsed in any partial year) (the "First Five Year Interest Rate"), compounding quarterly, which accrued interest shall be added to the outstanding principal balances of the Notes on the last day of each calendar quarter and shall thereafter, as part of such principal balances, accrue Interest at the First Five Year Interest Rate (and, during the Second Five Year Note Period (as defined below), at the Second Five Year Interest Rate (as defined below)), compounding quarterly. All such accrued interest added to the outstanding principal balances pursuant to the immediately preceding sentence shall be payable on the same terms and subject to the same conditions set forth in the Notes.

So long as no Event of Default has occurred and is continuing, the outstanding principal balances of the Notes shall accrue interest from and after the end of the First Five Year Note Period through the maturity date (the "Second Five Year Note Period"), at the rate of ten percent (10%) per annum (based on a 360-day year and the actual number of days elapsed in any partial year) (the "Second Five Year Interest Rate"). The interest accruing during the Second Five Year Note Period may be paid quarterly in arrears in cash or, at the Company's option, such interest may be added to the outstanding principal balances of the Notes on the last day of each calendar quarter and shall thereafter, as part of such principal balances, accrue interest at the Second Five Year Interest Rate, compounding quarterly. All such accrued interest added to the outstanding principal balances pursuant to the immediately preceding sentence shall be payable on the same terms and subject to the same conditions set forth in the Notes.

From and after the date any Event of Default occurs, the First Five Year Interest Rate or the Second Five Year Interest Rate, whichever is then applicable, shall be increased by five percent (5%) per annum. The Investors have the right, upon an Event of Default, to declare due and payable any unpaid principal amount of the Notes then outstanding, plus previously accrued but unpaid interest and charges, together with the interest then scheduled to accrue (calculated at the default rate described in the immediately preceding sentence) through the end of the First Five Year Note Period or the Second Five Year Note Period, as applicable.

At any time or times on or after April 21, 2011, the Investors are entitled to convert any portion of the outstanding and unpaid accrued interest on and principal balances of the Notes into fully paid and nonassessable shares of Common Stock at a conversion rate of $1.25 per share, subject to adjustment in accordance with anti-dilution provisions set forth in the Notes. The initial conversion rate is subject to adjustment upon the occurrence of stock splits, reverse stock splits, and similar capital events. Until the first anniversary of the issuance of the Notes, subject to certain exceptions, if the Company issues common shares at a price per share less than the conversion rate at the time, the conversion rate will be adjusted to the price at which the new shares were issued. If the Company issues shares at a price per share lower than the conversion rate following the first anniversary of the issuance of the Notes, then the conversion rate will be adjusted on a weighted average basis.

In the event of a change of control of the Company occurring during either the First Five Year Note Period or the Second Five Year Note Period, the remaining interest scheduled to be paid through the end of the applicable five-year period will be accelerated and paid to the Investors in the form of an additional convertible debt instrument, with the same terms as the Notes. In such event, interest will cease to accrue on the Notes or such additional debt instruments until the end of the applicable five-year period, and the Investors will have the right, at their option, to convert or redeem the Notes and any such additional debt instruments.

Also, as provided for in the Purchase Agreement, the Company issued to the Investors Warrants (as defined therein) to purchase an aggregate of up to 5,488,456 and 6,294,403 shares respectively of the Company's Common Stock at an exercise price per share equal to $1.40 per share. The initial exercise price is subject to adjustment upon the occurrence of stock splits, reverse stock splits, and similar capital events. Until the first anniversary of the issuance of the Warrants, subject to certain exceptions, if the Company issues common shares at a price per share less than the exercise price at the time, the exercise price will be adjusted to the price at which the new shares were issued. If the Company issues shares at a price per share lower than the exercise price following the first anniversary of the issuance of the Warrants, then the exercise price will be adjusted on a weighted average basis.

Contemporaneously, the Company and the Investors executed a (i) Registration Rights Agreement pursuant to which the Company agrees to provide the Investors with certain registration rights with respect to the shares of Common Stock issuable upon conversion of the Notes and/or exercise of the Warrants, (ii) a Pledge and Security Agreement and (iii) an Intellectual Property Security Agreement pursuant to which the Company and certain of its subsidiaries granted the Investors a security interest in the Company's and such subsidiaries' tangible and intangible assets securing the Company's performance of its obligations under the Notes. (See Exhibits 10.72 through 10.79 inclusive, which exhibits are incorporated herein by reference.)

On December 30, 2011, the Company and the Investors entered into a Note and Warrant Amendment Agreement ("Amendment Agreement") agreeing to (a) amend the Purchase Agreement pursuant to Section 7.9 thereof, in order to modify the Investors' right to restrict certain equity issuances as set forth therein; and (b) amend the HealthCor Notes and the HealthCor Warrants, pursuant to Section 11 of the HealthCor Notes and Section 21 of the HealthCor Warrants, in order to eliminate certain anti-dilution provisions contained therein. The accounting treatment resulting from the elimination of the anti-dilution provision reclasses approximately $23,000,000 in related long-term liabilities to stockholders' equity; however, this does not affect the accounting for debt discount which will remain and continue to be amortized to interest expense. (See Exhibits 10.94, which exhibit is incorporated herein by reference.)

On January 9, 2012, the Company entered into a Binding Term Sheet with HealthCor Partners Management, L.P., on behalf of certain affiliated funds (collectively, "HCP") regarding the issuance by the Company to HCP of a $5,000,000 Senior Convertible Note(s) (the "New Senior Convertible Note(s)"). To that end, on January 31, 2012, the Company and the Investors entered into the Second Amendment to Note and Warrant Purchase Agreement ("Second Amendment") amending the Purchase Agreement, and issued the New Senior Convertible Notes to the Investors, each as described below.

The Second Amendment provided that, following the Issue Date, the Company was permitted to sell, on the same terms and conditions as those contained in the Purchase Agreement (as amended from time to time), up to $5,000,000 in New Senior Convertible Notes to the Investors. The Second Amendment provided that the New Senior Convertible Notes shall be included within the definition of "Notes" and "Closing Securities" under the Purchase Agreement, and any shares of Common Stock issuable upon conversion of the New Senior Convertible Notes shall be included within the definition of "Note Shares" under the Purchase Agreement.

Concurrently with the execution of the Second Amendment, the Company issued and sold New Senior Secured Convertible Notes to each of HealthCor Partners and HealthCor Hybrid in the principal amounts of $2,329,000 and $2,671,000, respectively. As provided by the Second Amendment, the New Senior Convertible Notes are in substantially the same form as the 2011 HealthCor Notes, with changes to the "Issuance Date," "Maturity Date," "First Five Year Note Period" and other terms to take into account the timing of the issuance of the New Senior Convertible Notes. The New Senior Convertible Notes have a maturity date ten (10) years from the date of issuance. The New Senior Convertible Notes will bear interest accordingly:

(a) During years 1-5, interest will be payable (on a cumulative basis) by the issuance of additional convertible debt (a "PIK") with the same terms as New Senior Convertible Notes, at an interest rate of 12.5%, compounded quarterly.
(b) During years 6-10, interest may be paid in cash or as a consideration on the cumulative PIK (at the Company's option), at an annual interest rate of 10.0%, compounded quarterly.
(c) Interest shall be calculated and payable on a quarterly basis in arrears.
(d) Notwithstanding the foregoing, during the existence of an event of default, the then applicable interest rate will be increased by 5%.

In addition, the provisions regarding interest acceleration, optional conversion, negative covenants, events of default, preemptive rights and registration rights will be the same as those of the 2011 HealthCor Notes.

The Company will use the proceeds from the sale of the New Senior Secured Convertible Notes (i) to recruit and employ executives and sales personnel with experience in the healthcare/hospital space to establish contracts and pilot programs with hospitals, (ii) to expand its intellectual property portfolio, and (iii) for general working capital purposes.

In conjunction with the execution of the Second Amendment, the Company and its subsidiaries entered into a First Amendment to Loan and Security Agreement with Comerica Bank, as collateral agent and lender, and Bridge Bank, as lender (the “Loan Amendment”), amending the Loan and Security Agreement dated as of August 31, 2011, among the same parties (the “Loan and Security Agreement”). The Loan Amendment effected a change to the definition of “HealthCor Debt” under the Loan and Security Agreement, which is a component of “Permitted Indebtedness” under that agreement, in order to permit the issuance of the New Senior Convertible Notes. Also in connection with the Second Amendment, the Subordination Agreement between Comerica Bank and the Investors was amended to permit the sale and issue of the New Senior Convertible Notes. (See Exhibits 10.95 through 10.98 inclusive, which exhibits are incorporated herein by reference.)

Agreement with Comerica Bank and Bridge Bank National Association

On August 31, 2011, the Company entered into and closed a Loan and Security Agreement (the “Agreement” or the “Revolving Line”) with Comerica Bank (“Comerica”) and Bridge Bank, National Association (“Bridge Bank”) (collectively the “Banks”) providing for a two-year, $20 million revolving line of credit. The Revolving Line will provide the Company with capital, inter alia, to purchase equipment and perform installations pursuant to newly signed contracts that the Company may execute in the future with certain healthcare providers. The borrowings under the Agreement will bear interest on the outstanding daily balance of the advances at the rate of 3.75% plus the Prime Referenced Rate, which is a rate equal to Comerica’s prime rate but no less than the sum of 30-day LIBOR rate plus 2.5% per annum. Interest shall be paid monthly in arrears on any outstanding principal amount.

So long as no event of default has occurred and is continuing and subject to and upon the terms and conditions of the Agreement, and provided that the Company has delivered evidence to the reasonable satisfaction of the Banks of a signed contract for a new customer or the expansion of a contract with an existing customer for the addition of hospital sites and or hospital beds, the Company may request, and the Banks have agreed to make Advances in an aggregate outstanding amount not to exceed the lesser of (i) the $20 million revolving line limit or (ii) the Borrowing Base. As defined in the Agreement “Advances” means cash advances under the Revolving Line and “Borrowing Base” generally means an amount equal to eighty percent (80%) of Eligible Accounts. As defined in the Agreement, “Eligible Accounts” generally means those accounts that (x) arise in the ordinary course of the Company’s business; (y) arise from the future, rolling twelve (12) months due to sales of subscriptions to individual hospitals or hospital groups which are associated with (i) existing subscription services that are under contract and have at least twelve (12) months of life left on the contract at the time of inclusion of such account in the Borrowing Base; and (ii) newly executed contracts that have a minimum length of at least four (4) years; and (z) comply with certain Company representations and warranties to the Banks set forth in the Agreement that relate to Eligible Accounts. Subject to the terms and conditions of the Agreement, amounts borrowed may be repaid and reborrowed at any time prior to the Revolving Maturity Date, (the earlier of (i) two (2) years after the initial Advance or (ii) June 14, 2014), at which time all Advances shall be immediately due and payable. Except as set forth in the Prime Referenced Rated Addendum to the Agreement, the Company may prepay any Advances without penalty or premium. The Company shall use the proceeds of the Advances for the purchase of machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments and/or installation costs associated with the installation of a new or expanded customer subscription services contract.

The Agreement requires the Company to pay (i) on the closing date, a $200,000 nonrefundable facility fee, to be shared equally by the Banks; (ii) a quarterly unused facility fee equal to one quarter of one percent (0.25%) per annum of the difference between the amount of the Revolving Line and the average outstanding principal balance of the Revolving Line during the applicable quarter, and (iii) all reasonable expenses incurred by the Banks in connection with the Agreement, including reasonable attorneys’ fees and expenses.

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The Agreement requires CareView to maintain its primary operating accounts with Comerica and Bridge Bank on a 50:50 basis, with no less than 80% of CareView's investment accounts with the Banks or their affiliates, unless CareView's cash falls below $5 million, in which case it must maintain all its cash with the Banks. The Agreement also requires CareView to maintain a fixed charge coverage ratio of at least 5.01 to 1.00. The credit facility also contains certain customary affirmative covenants that include, among others, payment of taxes and other obligations, maintenance of insurance and reporting requirements, as well as customary negative covenants that limit, among other things, the Company's ability to make dispositions and acquisitions, be acquired, incur debt or pay dividends.

The credit facility contains customary events of default including, among other things, non-payment, inaccurate representations and warranties, violation of covenants, events that constitute a material adverse effect and cross-defaults to other indebtedness. Upon an occurrence of an event of default, the Company shall pay an interest on the outstanding principal balance of five percent (5%) above the otherwise applicable interest rate, and the Banks may accelerate the loan.

Pursuant to and in connection with the Agreement, the Company granted the Banks a security interest in all of its assets, including its intellectual property pursuant to an Intellectual Property Security Agreement, and pledged its ownership interests in its subsidiaries and certain joint ventures. Pursuant to and in connection with the Agreement, the Company has entered into a Subordination Agreement with its existing convertible note holders, HealthCor Partners Fund, L.P. and HealthCor Hybrid Offshore Master Fund, L.P.

Also, in connection with the Revolving Line, the Company issued Warrants to the Banks to purchase an aggregate of 1,428,572 shares of the Company's Common Stock. The Warrants have an exercise price of $1.40 per share and expire on August 31, 2018. The initial exercise price is subject to adjustment upon the occurrence of stock splits, reverse stock splits, and similar capital events. The Warrant issued to Bridge Bank provides for a cashless exercise. (See Exhibits 10.83 to 10.88 inclusive, which exhibits are incorporated herein by reference.)

Distribution and Regional Support

On January 9, 2010, the Company entered into an exclusive, three-year Distribution Agreement (the "Agreement") with Foundation Medical, LLC ("Foundation Medical") to distribute the CareView System™ on the east coast of the United States. Foundation Medical will also serve as CareView's east coast representative for servicing of all CareView Systems™ installed in that region. The territory covered under the Agreement includes the states of Maine, Vermont, New Hampshire, Connecticut, Massachusetts, New York, Pennsylvania, New Jersey, the District of Columbia, Rhode Island, Delaware, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Alabama, Georgia and Florida. The Agreement is automatically renewable for additional periods of one (1) year unless written notice not to renew is delivered between the parties thirty (30) days prior to the automatic renewal. Commissions paid to Foundation Medical range from two to six percent (2% to 6%) on three-year hospital contracts and from three to ten percent (3% to 10%) on five-year hospital contracts. (See Distribution Agreement, Exhibit 10.56, which exhibit is incorporated herein by reference.)

As mentioned herein at Recent Events, on March 1, 2012, the Company entered into a two-year Sales Consulting Agreement ("Consulting Agreement") with Foundation Medical and Donald Shirley (collectively, the "Consultant") wherein the above-mentioned Distribution Agreement was terminated and future services to be provided by the Consultant relative to designated hospitals would be provided pursuant to the Consulting Agreement. As consideration for cancellation of the Distribution Agreement, the Company agreed to issue to the Consultant 50,000 shares of the Company's Common Stock upon execution of the Consulting Agreement and an additional 50,000 shares of the Company's Common Stock on the date of the first anniversary thereof. CareView agreed to pay the Consultant a monthly consultant fee equal to the greater of (i) $10,000 or (ii) the sum of $250 per month per designated hospital. The first payment due thereunder is payable on March 20, 2012 and is due on the 20th day of each month thereafter.

In addition, the Consultant is eligible to receive a commission on system products and components up-sold and installed at the designated hospitals. Consultant will receive commissions on receipt of revenue by CareView as follows: (i) for 5-year contracts, Consultant will receive 10% in year 1, 8% in year 2, 7% in year 3, 5% in year 4 and 3% in year 5 and (ii) for 3-year contracts, Consultant will receive 6% in year 1, 4% in year 2 and 2% in year 3. (See Sales Consulting Agreement, Exhibit 10.99, which exhibit is incorporated herein by reference.)

Installation and Technical Support

The Company provides installation and technical support for its customers through third-party providers across the United States on a per-job basis.

Manufacturers of Room Control Platforms

The Company contracts with numerous unaffiliated third parties, domestically and internationally, to manufacture the CareView System™ Room Control Platform (“RCP”). To date, the Company has not experienced difficulty in obtaining third parties to manufacture the RCPs and does not anticipate any future difficulty in being able to obtain RCPs in the quantities it requires. Although CareView’s management is confident that its products can be manufactured to its specifications at a reasonable cost, and in substantially any quantity required, there can be no assurance of that outcome.

Competition

Medical communications technology companies who provide concise and timely medical information to healthcare facilities and their staffs are embarking on a relatively new frontier. Therefore, our competition may initially be light. We believe our CareView System™ is the only comprehensive product of its type currently available to the healthcare industry; however, other companies may offer products that potential customers may consider an acceptable alternative to our products and services. Some of these competitors may be larger and have greater financial resources than CareView. We compete with them based on price, engineering and technological expertise, knowledge and the quality of our products, systems and services. Additionally, the Company’s management believes that the successful performance of the Company’s installed products and systems is a key factor in retaining current business and gaining new business, as customers typically prefer to make significant purchases from a company with a solid performance history.

Various companies offer applications that may be similar to some of our product offerings, including, but not limited, to LodgeNetRX (owned by MDM Commercial Healthcare), SkyLight (owned by Skylight Healthcare Systems), eICU (owned by Royal Philips Electronics) and Stryker Video Network Hub.

LodgeNetRX, Skylight, and The GetWellNetwork provide interactive television. Skylight provides interactive patient systems. TeleHealth provides access to movies and Internet connectivity.

The clinical systems offered by our competitors do not appear to offer a video monitoring and observation option as provided by our system.

The Company is presently unable to predict what competitive impact any regulatory development and advances in technology will have on our future business and results of operations. We believe our success depends upon our ability to maintain and enhance the performance, content and reliability of our products in response to the evolving demands of the industry and any competitive products that may emerge. We cannot give assurances that we will be able to do so successfully or that any enhancements or new products that we introduce will gain acceptance in the marketplace. If we are not successful or if our products are not accepted, we could lose potential customers to our competitors.

Domain Names

The Company's maintains a website at www.care-view.com.

Major Customers

The Company derives all of its revenues from hospitals. For the year ended December 31, 2011, 18 hospitals accounted for the all of Company's revenue. Three hospitals generated approximately 40%, 14% and 12%, with no other hospital accounting for more than 10%. For the year ended December 31, 2010, two hospitals accounted for approximately 56% and 20% of the Company's revenues, while no other hospital accounted for 10% or more of the Company's revenues. For the year ended December 31, 2009, the same two hospitals accounted for 38% and 61% of the Company's revenues, respectively. For the year ended December 31, 2011, the Company was dependent on three hospitals that provided approximately 66% of its revenue. While the loss of a single one of those hospitals would not have caused a material adverse effect, the loss of all three hospitals would have caused such an effect. For the years ended December 31, 2010 and 2009, the Company had limited customers and the loss of any one of them would have had a material adverse effect on the Company.

Backlog

The Company's estimated backlog is driven by signed customer contracts. Each contract and the negotiations surrounding that contract establishes the agreed upon rates that will be charged for the use of our products and services as well as an approximate number of billable systems that will be installed. CareView's systems billable are defined as Room Control Platforms (RCPs) and are typically billed on a per bed basis. Nursing Stations, used to monitor patient activity, are also billable on per unit basis. Our calculated backlog at December 31, 2011 would be valued at the estimated number of billable units (RCPs and Nursing Stations) not yet accepted and not invoiced to the customer multiplied by the contractual rate per the signed contract. The dollar amount of backlog as of December 31, 2011 that was expected to be billed within the current fiscal year was estimated to be approximately $3.9 million. As most customer contracts are for a minimum of five years, much of the current backlog will have future value to be billed as those contracts move towards expiration and potential renewal. The estimated value of current backlog to be billed beyond the next fiscal year is approximately $8.9 million. Backlog for comparable periods for prior years was determined to be immaterial. As we release and deploy new products and services, our estimated backlog calculation will be modified appropriately.

Research and Development Activities

The Company's costs of research and development activities for years ended December 30, 2011, 2010 and 2009 totaled approximately $822,000, $698,000, and $540,000 respectively. None of the cost of such activities was borne directly by the Company's customers. To date, the Company has not performed any customer-sponsored research and development activities relating to any new products or services.

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Governmental Approval

Neither the Company nor its products are subject to government approval beyond required FCC certifications. Although the parameters of our CareView System™ complies with HIPPA as far as its use by health care providers, CareView itself, as the manufacturer and installer of the units, is not subject to HIPPA regulations. The Company does not know of any other privacy laws that affect our business as we are not in control of nor do we keep patient medical records in our possession. The Company is unaware of any probable government regulations that may affect its business in the future. CareView has received UL and FCC approval on its products. Additionally, the CMS does not pay or reimburse any party for use of the Company's products and services.

Environmental Laws

The Company and its products are not affected by any federal, state, or local environmental laws; therefore, the Company has reserved no funds for compliance purposes.

Employees

As of the filing date of this Report, the Company employed forty-four (44) persons on a full-time basis, three (3) of whom are executive officers. None of the Company's employees are covered by collective bargaining agreements and the Company has never experienced a major work stoppage, strike or dispute. The Company considers its relationship with its employees to be outstanding.

Financial Information about Geographic Areas

Providing geographical information is impracticable as the Company's business is solely located within the U.S.

Reporting Status

We are subject to the requirements of Section 13(a) under the Exchange Act which requires us to file annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and we are required to comply with all other obligations of the Exchange Act applicable to issuers filing registration statements pursuant to Section 12(g) of the Exchange Act.

You may obtain a copy, free of charge, of our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and amendments to those reported filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. You may obtain these reports and further information about our Company on our website at http://www.care-view.com.

ITEM 1A. RISK FACTORS.

An investment in our Common Stock involves a number of significant risks. You should carefully consider the following risks and uncertainties in addition to other information in evaluating our Company and our business prior to purchasing shares of our Common Stock. Our business, operating results, and financial condition could be impacted or harmed due to any of the following risks. The risks described below are all of the potential risks of which we are currently aware. Additional risks not presently known to us may also impair our business operations. You could lose all or part of your investment due to any of these risks.

Risks Related to our Business

We have experienced losses since inception. There is no assurance our future operations will result in profitable revenues. If we cannot generate sufficient revenues to operate profitably, we may suspend or cease operations.

Our operating business began in 2003. Through December 31, 2011, our net loss from inception is approximately $47,000,000. Our ability to achieve and maintain profitability and positive cash flow is dependent, among other things, upon further deployment of our technology into hospitals pursuant to signed Hospital Agreements and acceptance of our technology by hospitals, physicians and patients

Based upon current plans, we still expect to incur operating losses for a limited number of future periods. While our plans provide for future profitability, we can provide no assurance that we will be successful in generating sufficient revenues to support operations in the future. Failure to generate sufficient revenues could cause us to go out of business and you could lose your investment.

We may need additional capital to pursue our future business plans and conduct our operations and the ability to obtain the necessary and appropriate funding is uncertain. Additional capital may not be available on acceptable terms, if at all, and any additional financing may be on terms adverse to the interests of our shareholders.

We may require significant additional capital resources from sources including equity and/or debt financings in order to develop products/services and continue operations. We recently raised $5,000,000 of additional capital from HealthCor and have available $20 million from the Revolving Line with Comerica. Our current rate of expenditure is approximately $500,000 to $600,000 per month. However, this rate of expenditure is expected to increase to approximately $700,000 to $800,000 per month as a result of our anticipated need to hire additional employees and due to business expansion. Pursuant to the HealthCor financing and Comerica Revolving Line, our existing stockholders may experience dilution in the future.

Our success is tied to the adequacy of the Internet infrastructure.

Our future revenues and profits, if any, substantially depend upon the continued widespread use of the Internet as an effective medium of business and communication. Factors which could reduce the widespread use of the Internet include:

- actual or perceived lack of security of information or privacy protection;
- possible disruptions, computer viruses or other damage to the Internet servers or to users’ computers; and
- excessive governmental regulation.

We have no control over these factors and their effect on our business.

As mentioned, our success is tied to the adequacy of the Internet infrastructure and the integrity thereof. We are exposed to certain risks related to hacking as outlined below.

There are numerous risks that could be assessed to the CareView System including, but not limited to network intrusion, stolen identity, misuse of credentials, and exposure of patient health information.

Network intrusion is the risk that a person with malicious intent could break into the CareView corporate or customer network and either obtain sensitive information or disrupt the operations of the CareView product. CareView's corporate network is protected primarily by a Cisco ASA 5510 firewall and secondarily by a router with specific access-lists designed to only allow authorized traffic. Hospitals must communicate with services inside the CareView network and communication with those services is controlled by an access-list which only permits traffic originating from CareView's customer hospitals. Internally CareView's network follows best practices for LAN design and firewalling to prevent unauthorized access to data. CareView's wireless networks for employee use all use 128-bit WPA encryption. CareView's customer networks are each protected by a Cisco ASA 5505 firewall. Traffic between CareView and hospital is sent through an IpSec tunnel. For patient services, the customer's data is transmitted via SSL through the hospital, transmitted through the IpSec tunnel to our payment server, and later transmitted via SSL to the payment gateway.

Stolen identity is the risk that a person with malicious intent could obtain user account and password information, either by hacking or by phishing (tricking someone into providing their information) to obtain sensitive information or disrupt the operations of the CareView product. CareView's corporate accounts are controlled via a centralized authentication server which performs all authentication over SSL. Changes to user account credentials are logged in the internal help desk system. End user accounts are password protected and are administered by customer employees.

Misuse of credentials is the risk that an authorized user, either with malicious intent or out of ignorance, exposes sensitive information or disrupts the operations of the CareView product. All activity within the CareView System™ is logged by both user and IP address so that individual user actions are verifiable. Permissions within the CareView System™ to perform functions such as accessing video, accessing and updating patient information, and accessing and updating system settings are all controlled via fine-grained permissions. These permissions and changes to them are auditable.

Exposure of patient health information is the risk that normal use of the CareView System™ will expose personal patient health information to individuals who should not have access to that information. CareView has many permissions and configuration options related to patient consent, patient privacy, and user access built into its CareView System™. These options enable the hospital to comply with the HIPAA Privacy and Security standards.

Although CareView has attempted to protect itself against the potential risks related to hackers, have no control over these factors and their effect on our business.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new Securities Exchange Commission (the “SEC”) regulations and NASDAQ National Market rules, are creating uncertainty for companies. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

If we fail to adequately manage the size of our business, it could have a severe negative effect on our financial results or stock price.

We believe that in order to be successful we must appropriately manage the size of our business. This may mean reducing costs and overhead in certain economic periods, and selectively growing in periods of economic expansion. In addition, we will be required to implement operational, financial and management information procedures and controls that are efficient and appropriate for the size and scope of our operations. The management skills and systems currently in place may not be adequate and we may not be able to manage any significant cost reductions or effectively provide for our growth.

If we fail to attract and retain qualified senior executive and key technical personnel, our business will not be able to expand.

We are dependent on the continued availability of the services of our employees, many of whom are vital to future success, and the availability of new employees to implement our business plan. The market for skilled employees is highly competitive, especially for employees in technical fields. Although our compensation programs are intended to attract and retain the employees required for us to be successful, there can be no assurance that we will be able to retain the services of all our key employees or a sufficient number to execute our plans, nor can there be any assurance we will be able to continue to attract new employees as required.

Our personnel may voluntarily terminate their relationship with us at any time, and competition for qualified personnel, especially technical engineers, is intense. The process of locating additional personnel with the combination of skills and attributes required to carry out our strategy could be lengthy, costly and disruptive.

If we lose the services of key personnel, or fail to replace the services of key personnel who depart, we could experience a severe negative effect on our financial results and stock price. In addition, there is intense competition for highly qualified engineering and marketing personnel in the industry that we operate. The loss of the services of any key engineering, marketing or other personnel or our failure to attract, integrate, motivate and retain additional key employees could have a material adverse effect on our business, operating and financial results and stock price.

We depend upon our senior management and their loss or unavailability could put us at a competitive disadvantage.

Our success depends largely on the skills of certain key management, including Samuel A. Greco, our Chief Executive Officer and Steven G. Johnson, our President. The loss of the services of either Mr. Johnson or Mr. Greco could materially harm our business because of the cost and time necessary to replace and train a replacement. Such a loss would also divert management's attention away from operational issues.

We are required to comply with Section 404 of the Sarbanes-Oxley Act, which requires management to assess the effectiveness of internal controls over financial reporting. If our internal controls are found to be ineffective, our financial results or our stock price may be adversely affected.

Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent registered public accounting firm addressing these assessments. We completed the process of documenting and testing our internal control procedures, and did not identify any material weaknesses in our internal control over financial reporting. If material weaknesses and deficiencies are detected, it could cause investors to lose confidence, result in a decline in our stock price, and consequently affect our financial condition. In addition, if we fail to achieve and maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to helping prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our Common Stock could drop significantly. In addition, we cannot be certain that additional material weaknesses or significant deficiencies in our internal controls will not be discovered in the future.

Our business will suffer if we cannot adequately protect our patent and proprietary rights.

Although we have patents for some of our products and have applied for additional patents, there can be no assurance that patents applied for will be granted, that patents granted to or acquired by us now or in the future will be valid and enforceable and provide us with meaningful protection from competition, or that we will possess the financial resources necessary to enforce any of our patents. Also, we cannot be certain that any products that we (or a licensee) develop will not infringe upon any patent or other intellectual property right of a third party.

We also rely upon trade secrets, know-how, and continuing technological advances to develop and maintain our competitive position. We maintain a policy of requiring employees, scientific advisors, consultants, and collaborators to execute confidentiality and invention assignment agreements upon commencement of a relationship with us. We cannot assure you that these agreements will provide meaningful protection for our trade secrets in the event of unauthorized use or disclosure of such information.

Adverse changes or interruptions in our relationships with third parties could affect our business operations and impair the quality of our service and reduce our revenues.

Although our business is not substantially dependent on any agreement with any specific third party, we rely on various other contract relations which terms could affect our access to inventory and reduce revenues. All of the relationships we have are freely terminable upon notice. Few, if any, of these arrangements are exclusive and any of our suppliers could enter into, and in some cases may have entered into, similar agreements with our competitors. We cannot assure you that our arrangements with third parties will remain in effect or that any of these third parties will continue to supply us with the same level of access to inventory in the future. If access to inventory is affected, or our ability to obtain inventory on favorable economic terms is diminished, it may reduce our revenues. Our failure to establish and maintain representative relationships for any reason could negatively influence our systems and reduce our revenues.

Our success depends upon implementing and integrating our technology.

As part of our business model, the implementation and integration of our technology is vital to increasing efficiencies and overall usage of our systems. We have installed our technology into our servers and computers and interfaced it with the infrastructure maintained by our customers. Because our employees helped design and refine our system technology, we believe that we can expand our offerings as needs develop. However, if we cannot succeed in expanding our technology, our profitability may not increase as planned, or at all.

We have applied for patent protection on our intellectual properties. We cannot be sure that these intellectual properties are protected from copying or use by others, including potential competitors.

We regard much of our system technology as proprietary and try to protect our proprietary technology by relying on trademarks, copyrights, trade secret laws and confidentiality agreements. Even with these precautions, it is possible for someone else to copy or otherwise obtain and use our proprietary technology without our authorization or to develop similar technology independently. We cannot be sure that any steps we take will prevent misappropriation of our proprietary information. This misappropriation could have a material adverse effect on our business. In the future, we may need to go to court to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. This litigation might result in substantial costs and diversion of resources and management attention.

In the event we do not protect our technology effectively, this would allow competitors to duplicate our product and services, and could make it more difficult for us to compete with them. Since we currently do not have any patents or trademarks, our success and ability to compete in the healthcare information technology industry depends, in part, upon our technology. We rely primarily on confidentiality provisions in our contracts to protect our technology. We attempt to negotiate beneficial intellectual property ownership provisions in our contracts. However, laws and our actual contractual terms may not be sufficient to protect our technology from use or theft by third parties. For instance, a third party might try to reverse engineer or otherwise obtain and use our technology without our permission and without our knowledge, allowing competitors to duplicate our products. We may have legal or contractual rights that we could assert against such illegal use, but lawsuits claiming infringement or misappropriation are complex and expensive, and the outcome would not be certain. In addition, the laws of some countries may not protect software and intellectual property rights to the same extent as the laws of the United States.

Our success depends on maintaining the integrity of our systems and infrastructure. System interruptions and the lack of complete redundancy in our information systems may affect our business.

In order to be successful, we must provide reliable, real-time access to our systems. As our operations grow in both size and scope, we will need to improve and upgrade our systems and infrastructure to offer an increasing number of people enhanced services, features and functionality. The expansion of our systems and infrastructure will require us to commit substantial financial, operational and technical resources before the volume of business increases, with no assurance that the volume of business will increase. Medical professionals will not tolerate a service with unreliable service levels or insufficient capacity, any of which could reduce our revenues.

We may experience occasional system interruptions that make some or all systems unavailable or prevent us from efficiently providing services to our customers. Any interruptions, outages or delays in our systems or deterioration in their performance, could impair the quality of service that we can offer to our customers. We do not have backup systems for critical aspects of our operations, many other systems are not fully redundant and our disaster recovery planning may not be sufficient. Fire, flood, power loss, telecommunications failure, break-ins, earthquakes, acts of war or terrorism, acts of God, computer viruses, physical or electronic break-ins and similar events or disruptions may damage or interrupt computer or communications systems at any time. Any of these events could cause system interruption, delays and loss of critical data, and could prevent us from providing services for a significant period of time. In addition, we may have inadequate insurance coverage or insurance limits to compensate for losses from a major interruption; remediation may be costly and have a material adverse effect on our operating results and financial condition.

Furthermore, developing our technology entails significant technical and business risks when using new technologies. We may fail to adapt network infrastructure to consumer requirements or emerging industry standards. We may face material delays in introducing new services, products and enhancements to our customers.

Rapid technological changes may render our technology obsolete or decrease the attractiveness of our services.

To remain competitive in the healthcare information technology industry, we must continue to enhance and improve the functionality and features of our systems.

The medical communication industry is a rapidly changing industry. In particular, the healthcare information technology industry is characterized by increasingly complex systems, infrastructures, and business models. If competitors introduce new services embodying new technologies, or if new industry standards and practices emerge, our existing technology and systems may become obsolete.

Our future success will depend on our ability to (i) deploy our existing services; (ii) attract new customers to use our existing services; (iii) enhance our existing services; (iv) develop and license new products and systems that address the increasingly sophisticated and varied needs within the medical industry; and (v) respond to technological advances and emerging medical industry standards and practices on a cost-effective and timely basis.

Potential and evolving government regulation could impose taxes or other burdens on our business that could increase our costs or the demand for our services.

Increased regulation regarding the transmission of medical information could increase the cost of our doing business or otherwise reduce our sales and revenues. The statutes and case law governing online information technology industry are still evolving, and new laws, regulations or judicial decisions that may be imposed on us may present additional risks and costs of operations. In addition, new regulations, domestic or international, regarding the privacy of our user's personally identifiable information may impose additional costs and operational constraints on us.

Federal legislation imposing limitations on the ability of states to impose taxes on Internet-based sales was enacted in 1998. The Internet Tax Freedom Act, that was extended by the Internet Nondiscrimination Act, exempted certain types of sales transactions conducted over the Internet from multiple or discriminatory state and local taxation through November 2007. Failure to renew this legislation could allow state and local governments to impose additional taxes.

Additionally, changing laws, rules and regulations, and legal uncertainties may adversely affect our business, financial condition, and results of operations. Our business, financial condition, and results of operations could be adversely affected by unfavorable changes in or interpretations of existing, or the promulgation of new laws, rules and regulations applicable to us and our business, including those relating to the Internet and online medical communication, and consumer protection and privacy could decrease demand for services, increase costs and/or subject us to additional liabilities. For example, there is, and will likely continue to be, an increasing number of laws and regulations pertaining to the Internet and online medical communication that may relate to liability for information retrieved from or transmitted over the Internet, user privacy, taxation, and the quality of services. Further, the growth and development of online medical communication may prompt calls for more stringent protection laws that may impose additional burdens on our business.

Risks Related to our Stockholders and Shares of Common Stock

FINRA sales practice requirements may limit a stockholder's ability to buy and sell our stock.

The Financial Industry Regulatory Authority ("FINRA") has adopted rules that relate to the application of the SEC's penny stock rules in trading our securities and require that a broker/dealer have reasonable grounds for believing that the investment is suitable for that customer, prior to recommending the investment. Prior to recommending speculative, low priced securities to their non-institutional customers, broker/dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the FINRA believes that there is a high probability that speculative, low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker/dealers to recommend that their customers buy our Common Stock which may have the effect of reducing the level of trading activity and liquidity of our Common Stock. Further, many brokers charge higher transactional fees for penny stock transactions. As a result, fewer broker/dealers may be willing to make a market in our Common Stock thereby reducing a shareholder's ability to resell shares of our Common Stock.

Our shares of Common Stock are considered “penny stocks” which imposes additional sales practice requirements on broker/dealers; as such many broker/dealers may not want to make a market in our shares which could affect your ability to sell your shares in the future.

Our shares of Common Stock are considered “penny stocks” covered by section 15(g) of the Exchange Act and Rules 15g-1 through 15g-6 promulgated thereunder, which impose additional sales practice requirements on broker/dealers who sell our securities to persons other than established customers and accredited investors (generally institutions with assets in excess of $5,000,000 or individuals with net worth in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 jointly with their spouses). Since our shares are covered by section 15(g) of the Securities Exchange Act of 1934, many broker/dealers may not want to make a market in our shares or conduct any transactions in our shares. As such, your ability to dispose of your shares may be adversely affected.

The penny stock rules apply to non-NASDAQ companies whose Common Stock trades at less than $5.00 per share or which have tangible net worth of less than $5,000,000 ($2,000,000 if the company has been operating for three or more years). Such rules require, among other things, that brokers who trade “penny stock” to persons other than “established customers” complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Many brokers have decided not to trade “penny stock” because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in such securities is limited. In the event that we remain subject to the “penny stock rules” for any significant period, there may develop an adverse impact on the market, if any, for our securities. Because our securities are subject to the “penny stock rules,” investors will find it more difficult to dispose of our securities.

Our Common Stock price may be volatile and could fluctuate widely in price, which could result in substantial losses for investors.

The market price of our Common Stock may be volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including:

- technological innovations by competitors;
- governmental regulation of our products and services;
- additions or departures of key personnel;
- decline in demand for our Common Stock;
- our ability to integrate operations, technology, products and services;
- our ability to execute our business plan;
- operating results below expectations;
- loss of any strategic relationships;
- industry developments;
- lack of funding generated for operations;
- investor perception of our industry or our prospects;
- general economic trends and other external factors; and
- period-to-period fluctuations in our financial results.

Because we have had limited revenues to date, you should consider any one of these factors to be material. Our stock price may fluctuate widely as a result of any of the above. In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. The market price of our Common Stock may be materially and adversely affected by these market fluctuations.

We do not expect to pay dividends and investors should not buy our Common Stock expecting to receive dividends.

We do not anticipate that we will declare or pay any dividends in the foreseeable future. Consequently, you will only realize an economic gain on your investment in our Common Stock if the price appreciates. You should not purchase our Common Stock expecting to receive cash dividends. Since we do not pay dividends, and if we are not successful in establishing an orderly trading market for our shares, then you may not have any manner to liquidate or receive any payment on your investment. Therefore our failure to pay dividends may cause you to not see any return on your investment even if we are successful in our business operations. In addition, because we do not pay dividends we may have trouble raising additional funds which could affect our ability to expand our business operations.

Securities analysts may not cover our Common Stock and this may have a negative impact on our Common Stock's market price.

The trading market for our Common Stock may depend on the research and reports that securities analysts publish about us or our business. We do not have any control over these analysts. There is no guarantee that securities analysts will cover our Common Stock. If securities analysts do not cover our Common Stock, the lack of research coverage may adversely affect our Common Stock's market price, if any. If we are covered by securities analysts who downgrade our stock, our stock price would likely decline. If one or more of these analysts ceases to cover us or fails to publish regularly reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

Additional issuances of equity securities may result in dilution to our existing stockholders. Our Board of Directors may issue and fix the terms of shares of our Preferred Stock without stockholder approval, which could adversely affect the voting power of holders of our Common Stock or any change in control of our Company.

Our Articles of Incorporation authorize the issuance of 300,000,000 shares of Common Stock and 20,000,000 shares of Preferred Stock, which may adversely affect the voting power of the holders of our securities and may deter or delay changes in management. The Board of Directors has the authority to issue additional shares of our capital stock to provide additional financing in the future and the issuance of any such shares may result in a reduction of the book value or market price of the outstanding shares of our Common Stock. If we do issue any such additional shares, such issuance also will cause a reduction in the proportionate ownership and voting power of all other stockholders. Because of such dilution, proportionate ownership interest and voting power will be decreased accordingly. Further, any such issuance could result in a change of control.

To date, we have not issued any shares of Preferred Stock. Our Board of Directors, without further approval of the Common Stockholders, is authorized to fix the dividend rights and terms, conversion rights, voting rights, redemption rights, liquidation preferences and other rights and restrictions relating to any series of our Preferred Stock. Issuances of shares of Preferred Stock, while providing flexibility in connection with possible financings, acquisitions and other corporate purposes, could among other things adversely affect the voting power of the holders of other of our securities and may, under certain circumstances, have the effect of deterring hostile takeovers or delaying changes in management control.

In addition, as we procure additional financing and acquire additional business assets, we will potentially grant shares, as well as warrants and stock options, to the financiers and shareholders of target companies. To the extent that additional shares are issued, notes are converted, and stock options and warrants are exercised, the shares that are issued may result in an oversupply of shares and an undersupply of purchasers, thereby diluting the market for our shares.

A sale of a substantial number of shares of our Common Stock may cause the price of our Common Stock to decline.

The market price of our Common Stock could decline because of sales of substantial amounts of our Common Stock in the public market, or the perception that these sales could occur. In addition, these factors could make it more difficult for us to raise funds through future offerings of Common Stock.

We have a working capital deficit and significant capital requirements. Since we may continue to incur losses until we are able to generate sufficient revenues to offset our expenses, investors may be unable to sell our shares at a profit or at all.

We had a net loss of $(16,264,252) and $(18,851,758) during the years ended December 31, 2011 and 2010, respectively. Net cash used in operations for the years ended December 31, 2011 and 2010 was $5,738,830 and $4,130,818, respectively. At December 31, 2011 and 2010, we had working capital of $7,610,931 and $113,994, respectively. Because we have not yet achieved or acquired sufficient operating capital and given these financial results together with our expected cash requirements in 2012, additional capital investments may be necessary to develop and sustain our operations.

If we fail to maintain an effective system of internal controls over financial reports, we may not be able to accurately report our financial results or prevent fraud and this could adversely affect our operating results.

We may not be able to maintain adequate internal controls over financial reporting. Due to lack of historical operating data, many of our internal controls and reporting systems are being designed as our business model develops. We rely on existing reporting systems that may have been implemented for different business models and may not function as intended. We have taken steps to strengthen our internal controls and although currently in place we cannot be certain these measures will ensure that we maintain adequate controls over our financial processes and reporting in the future. We also cannot be certain the effectiveness of the steps we have taken will allow us the ability to accurately record, process, and summarize financial data and prepare our financial statements and reporting. Many of these steps are time and labor intensive and rely on manual procedures, which makes them difficult to maintain for an extended period and increases the risk of errors. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

Our substantial level of indebtedness could have a material adverse effect on our financial condition.

We have a substantial amount of indebtedness. As of December 31, 2011, we have approximately $22,700,000 of total indebtedness. Our high level of indebtedness could have important consequences to you, including the following:

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;
- we must use a substantial portion of our cash flow from operations to pay interest and principal on our indebtedness, which will reduce the funds available to us for other purposes such as capital expenditures;
- we may be limited in our ability to borrow additional funds;
- we may have a higher level of indebtedness than some of our competitors, which may put us at a competitive disadvantage and reduce our flexibility in planning for, or responding to, changing conditions in our industry, including increased competition; and
- we may be more vulnerable to economic downturns and adverse developments in our business.

In addition, we may incur more debt. This could increase the risks associated with our substantial indebtedness described above. Our ability to pay our expenses may depend, in part, on our future performance, which will be affected by financial, business, economic and other factors. We will not be able to control many of these factors, such as economic conditions in the markets where we operate and pressure from competitors. We cannot be certain that our borrowing capacity or future cash flows will be sufficient to allow us to pay principal and interest on our indebtedness and meet our other obligations. We did not generate cash flow from operations for the years ended December 31, 2011 and 2010. If we fail to generate cash flow in the future and do not have enough liquidity to pay our obligations, we may be required to refinance all or part of our existing debt, sell assets or borrow more money. We cannot guarantee that we will be able to do so on terms acceptable to us, or at all. In addition, the terms of our existing or future debt agreements may restrict us from pursuing any of these alternatives.

Trends, Risks and Uncertainties

We have sought to identify what we believe to be the most significant risks to our business, but we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all possible risks that might arise. Investors should carefully consider all such risk factors before making an investment decision with respect to our Common Stock.

The healthcare market is influenced by a number of factors including, but not limited to:

- Growing and Aging Population – The U.S. Census Bureau predicts that the majority of the U.S. “baby boom” population (28% of the total U.S. population) will begin to turn 65 between 2010 and 2020.
- Consumer expectations for improved healthcare are increasing.
- Effects of ObamaCare, which effects have not yet been able to be determined, and may or may not have a negative effect on our business.
- Reimbursement and coverage of medical expenses by insurance companies and employers are on the decline resulting in patients having to contribute more money
- Technology is giving rise to new clinical therapies to address an increased number of medical ailments to aid in earlier diagnosis and prevention of diseases.

In the next ten years, we believe the healthcare market will focus on early diagnosis, digitized patient information that can be accessed from numerous locations and "total solution" selling that contributed to healthcare productivity gains. A "paperless" hospital is an emerging trend. Digital patient records enable doctors to access patients' records from various locations. In a digitized hospital, productivity is enhanced with instant access to patient test results and access to records. These developments lead to an increase in healthcare productivity where a higher number of patients can be cared for more efficiently by using advanced and faster diagnostic equipment for an earlier diagnosis and treatment. CareView is poised to play an important role as these trends progress. A major risk factor for CareView is the uncertainty surrounding proposed and potential governmental healthcare reform and its ultimate affect on the Company's customers and potential customers.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

N/A.

ITEM 2. PROPERTIES.

On September 8, 2009, the Company entered into a 63-month Commercial Lease Agreement (the "Lease") for 10,578 square feet of office and warehouse space at 405 State Highway 121, Suite B-240, Lewisville, TX 75067. On June 29, 2010, the Company and the landlord entered into a First Amendment to Commercial Lease Agreement ("First Amendment"). The terms of the First Amendment provide (i) for the Company to lease an additional 6,032 square feet of space for an approximate total of 16,610 square feet of leased space, (ii) an extension of the Lease to a term of 68 months with a termination date of June 30, 2015, and (iii) an increase in the security deposit of approximately $8,500. Under the First Amendment, the landlord agreed to provide a tenant improvement allowance not to exceed $175,000 to be used toward the payment of construction costs. The improvements were completed in January 2011. The Lease contains renewal provisions under which the Company may renew the Lease for an additional three year period under the same terms and conditions. The base lease rate for the expanded facility is $13,526 per month from July1, 2010 through October 31, 2011, $13,652 from November 1, 2011 through April 30, 2013, and $14,219 from May 1, 2013 to June 30, 2015. The Company's management believes that the leased premises are suitable and adequate to meet its needs. (See Commercial Lease Agreement, Exhibit 10.43 and First Amendment to Commercial Lease Agreement, Exhibit 10.62, which exhibits are incorporated herein by reference.)

ITEM 3. LEGAL PROCEEDINGS.

Pending Litigation

On May 9, 2011, Focus Capital Group, Inc. ("Focus") filed a complaint in the United States District Court for the Southern District of New York against the Company, claiming breach of contract. On December 11, 2011, the parties settled the claims and the case was dismissed.

ITEM 4. MINE SAFETY DISCLOSURE.

N/A.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our Common Stock is traded on the OTC QB under the symbol "CRVW." The following table shows the price range of our Common Stock for each quarter ended during the last two fiscal years. The below market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

Quarter Ended	High	Low
Fiscal Year 2011		
Fourth Quarter	$ 1.60	$ 1.35
Third Quarter	$ 1.80	$ 1.25
Second Quarter	$ 2.03	$ 1.54
First Quarter	$ 2.05	$ 1.40
Fiscal Year 2010		
Fourth Quarter	$ 1.67	$ 1.26
Third Quarter	$ 2.18	$ 1.60
Second Quarter	$ 2.43	$ 1.30
First Quarter	$ 1.25	$ 0.75

Holders

Records of our stock transfer agent indicate that as of March 15, 2012, we had approximately 130 record holders of our Common Stock. The number of registered shareholders excludes any estimate by us of the number of beneficial owners of shares of Common Stock held in "street name." We estimate that there are approximately 1,256 beneficial shareholders who hold their shares in street name. As of December 31, 2011 and currently, the Company had 131,455,407 and 129,583,045 shares of Common Stock issued and outstanding respectively.

Dividends

Certain covenants included in the Comerica Revolving Line of Credit preclude the Company from paying any dividends or making any other distribution or payment on account of or in redemption, retirement or purchase of any capital stock.

The Comerica Revolving Line of Credit notwithstanding, any future determination to pay cash dividends will be at the discretion of our Board of Directors and will be dependent upon our financial condition, operation results, capital requirements, applicable contractual restrictions, restrictions in our organizational documents, and any other factors that our Board of Directors deem relevant.

Securities Authorized for Issuance under Equity Compensation Plans

Effective April 1, 2005, CareView-TX established a non-qualified stock option plan (the "2005 Plan") pursuant to which 238,625 shares of Common Stock were reserved for issuance upon the exercise of options. The 2005 Plan was designed to serve as an incentive for retaining qualified and competent key employees and officers, and the director of the Company. Under the 2005 Plan, CareView-TX issued 31,818 options to an individual in June 2005 and aggregate of 92,886 options to eight individuals in 2007.

Effective December 3, 2007, the Company established the CareView Communications, Inc. 2007 Stock Incentive Plan (the "2007 Plan") pursuant to which 8,000,000 shares of Common Stock was reserved for issuance upon the exercise of options. In conjunction with the creation of the 2007 Plan, the 2005 Plan was cancelled, all outstanding options under the 2005 Plan were cancelled, and replacement options were granted under the 2007 Plan on a one for 64.2036 basis. Pursuant to the terms of the 2005 Plan, all outstanding options were vested immediately as a result of the change in control experienced pursuant to the CareView Acquisition Agreement. The 2007 Plan was designed to serve as an incentive for retaining qualified and competent key employees, officers and directors, and certain consultants and advisors of the Company. Under the 2007 Plan, the Company issued non-qualified stock options for the purchase of 7,990,000 underlying shares of the Company's Common Stock and closed the 2007 Plan. (See CareView Communications, Inc. 2007 Stock Incentive Plan, Exhibit 10.09 and form of Non-Qualified Stock Option, Exhibit 10.10, which exhibits are incorporated herein by reference.)

On September 30, 2009, the Company established the CareView Communications, Inc. 2009 Stock Incentive Plan (the "2009 Plan") pursuant to which 10,000,000 shares of Common Stock was reserved for issuance upon the exercise of options. The 2009 Plan was designed to serve as an incentive for retaining qualified and competent key employees, officers and directors, and certain consultants and advisors of the Company. Under the 2009 Plan, the Company has issued options to date for an aggregate of 3,434,556 underlying shares of the Company's Common Stock. (See CareView Communications, Inc. 2009 Stock Incentive Plan, Exhibit 10.42, which exhibit is incorporated herein by reference.)

The 2007 Plan and 2009 Plan are administered by the Compensation Committee of our Board of Directors, which shall determine: (i) the persons to be granted stock options under the Plan; (ii) the number of shares subject to each option and the exercise price of each option; (iii) whether the stock option will be exercisable at any time during the option period of ten (10) years or whether it shall be exercisable in installments or by vesting only.

As of December 31, 2011, the following table shows the number of securities to be issued upon exercise of outstanding stock options under equity compensation plans approved by the Company's shareholders, which plans do not provide for the issuance of warrants or other rights.

Plan Category	Number of Securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)
Equity compensation plans not approved by security holders	-0-	-0-	-0-
Equity compensation plan approved by security holders: 2007 Plan	5,467,225	$.052	-0-
Equity compensation plan approved by security holders: 2009 Plan	3,282,890	$0.89	6,565,444
Total	8,750,115	$0.66	6,565,444

Recent Sales of Unregistered Securities

As of December 31, 2011 and for the previous three-year period, the Company issued the following unregistered securities.

Debt Securities and Shares Issued upon Conversion

On October 2, 2008 and December 22, 2008, the Company issued six percent (6%) Promissory Notes ("Notes") with an accompanying Common Stock Purchase Warrant ("Warrant") for bridge loans in the aggregate of $1,500,000. In connection therewith, the Company issued Warrants to the noteholders to purchase an aggregate of 1,975,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. On May 29, 2009, the Company and the noteholders entered into an Amendment Agreement which extended the maturity date of the Notes to January 15, 2010 in exchange for the issuance of additional Warrants to the noteholders on a pro-rata basis for the purchase of an aggregate of 3,375,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. On August 25, 2009, the Company and one of the noteholders entered into an Amendment Agreement under which the noteholder loaned the Company an additional $26,000 (the "Additional Note") in exchange for a Warrant to purchase 58,500 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. On January 14, 2010, the Company and the noteholders entered into another agreement whereby the maturity date was further extended to June 15, 2010 (the "Extension Agreement") in exchange for the issuance for a Warrant to be issued to the noteholders on a pro-rata basis for the purchase of an aggregate of 33,333 underlying shares per day from January 15, 2010 until the Notes were paid in full (the "Extension Warrants"). As of March 31, 2010, the Company converted the principal of the Notes and the Additional Note, including the accrued but unpaid interest, into an aggregate of 3,109,487 shares of the Company's Common Stock at a conversion price of $0.52 per share. The Company also issued Extension Warrants for the purchase of an aggregate of 2,499,975 underlying shares of the Company's Common Stock. On June 9, 2011, a noteholder exercised Warrants and Extension Warrants to purchase an aggregate of 179,849 shares. In order to exercise the Warrant pursuant to the cashless provisions thereof, the noteholder surrendered his right to receive 55,339 shares, resulting in an issuance of 124,510. None of the other Warrants or Extension Warrants have been exercised. The shares were issued in reliance upon an exemption from registration under Section 4(2) of the Securities Act. (See form of 6% Promissory Note, Exhibit 10.25, form of Common Stock Purchase Warrant, Exhibit 10.26, Amendment Agreement with Noteholders of 6% Promissory Notes, Exhibit 10.33, Amendment Agreement, Exhibit 10.39, and Extension Agreement with Noteholders of Bridge Loans,

Exhibit 10.54, which exhibits are incorporated herein by reference.)

On April 28, 2009 and June 3, 2009, the Company issued promissory notes for $83,334 and $30,000 respectively (the "Notes") to David Webb, a director of the Company at the time of issuance. The Notes accrued interest at the rate of twelve percent (12%). As of March 31, 2010, the principal and interest under the Notes in the aggregate of $125,373 was converted into an aggregate of 241,104 shares of the Company's Common Stock at a price of $0.52 per share. The shares were issued in reliance upon an exemption from registration under Section 4(2) of the Securities Act. (See Note to David Webb for $83,334, Exhibit 10.29 and Note to David Webb for $30,000, Exhibit 10.35, which exhibits are incorporated herein by reference.)

On April 28, 2009, the Company issued a promissory note for $83,333 (the "Note") to Allen Wheeler, a director of the Company. The Note accrued interest at the rate of twelve percent (12%). As of March 31, 2010, the principal and interest under the Note of $92,566 was converted into 178,013 shares of the Company's Common Stock at a price of $0.52 per share. The shares were issued in reliance upon an exemption from registration under Section 4(2) of the Securities Act. (See Note to Allen Wheeler for $83,333, Exhibit 10.30, which exhibit is incorporated herein by reference.)

On June 16, 2009, the Company issued a promissory note for $20,000 (the "Note") to Recap Group, LLC, a limited liability company controlled by David Webb, a director of the Company at the time of issuance. The Note accrued interest at the rate of twelve percent (12%). As of March 31, 2010, the principal and interest under the Note of $21,894 was converted into 42,103 shares of the Company's Common Stock at a price of $0.52 per share. The shares were issued in reliance upon an exemption from registration under Section 4(2) of the Securities Act. (See Note to Recap Group, LLC for $20,000, Exhibit 10.37, which exhibit is incorporated herein by reference.)

From June 26, 2009 to March 30, 2010, a shareholder of the Company loaned the Company funds under a short-term loan in the aggregate of $190,000 (the "Loan"). The Loan accrued interest at the rate of twelve percent (12%). As of March 31, 2010, the principal and interest under the Loan of $203,103 was converted into 390,583 shares of the Company's Common Stock at a price of $0.52 per share. The shares were issued in reliance upon an exemption from registration under Section 4(2) of the Securities Act.

Shares and Warrants Issued for Services Rendered

Listed within this subsection is information regarding shares of the Company's Common Stock and Common Stock Purchase Warrants ("Warrants") issued by the Company for services rendered. (For further information, see form of Common Stock Purchase Warrant, Exhibit 10.26, which exhibit is incorporated herein by reference.)

On May 20, 2008, the Company entered into a three-month, non-exclusive investment banking services agreement (the “Peak Agreement”) with Peak Securities Corporation (“Peak”). Peak was introduced to the Company through Develo Financial Group, LLC, an Arizona limited liability company (“Develo”), with whom the Company was planning to conduct its upcoming June 2008 Offering (as more fully described below in Shares Sold in Offerings at page 33 herein). Under terms of the Peak Agreement, Peak was to receive a cash fee of ten percent (10%) of the dollar amount of any equity funding obtained for the Company in addition to a Warrant equal to eight percent (8%) of the funding. In connection with the June 2008 Offering, the Company paid Peak a non-refundable retainer of $5,000 and an aggregate of approximately $102,000 in commissions, escrow fees and placement fees. Peak failed to fully perform under the Peak Agreement and upon the mutual agreement of Peak, Develo and the Company, the Company issued Develo a five-year Warrant dated February 17, 2009 for 148,000 underlying shares of the Company’s Common Stock with an exercise price of $0.52 per share, which Warrant was issued pursuant to the June 2008 Offering and in satisfaction of Warrants due under the Peak Agreement and the October 2008 Develo Agreement (as more fully described in the following paragraph). (See Investment Banking Services Agreement with Peak Securities, Exhibit 10.15, which exhibit is incorporated herein by reference.)

On October 1, 2008, the Company engaged Develo to provide investment banking services on a non-exclusive basis for a period of six (6) months, terminating on April 1, 2009 (the “October 2008 Develo Agreement”). Under the October 2008 Develo Agreement, the Company agreed to pay Develo (i) a cash fee of ten percent (10%) of the total amount of equity capital raised and closed during the term of the agreement, (ii) a cash fee of four percent (4%) of the total debt facility closed during the term of the agreement, (iii) a five-year Warrant to purchase underlying shares of the Company’s Common Stock equal to eight (8%) of the dollar amount of equity issued, and (iv) an additional Warrant equal to five percent (5%) of the total of equity or financing received from Develo investors for a period of two (2) years from the date of the October 2008 Develo Agreement. Under the October 2008 Develo Agreement and in connection with the February 2009 Offering (as more fully described below in Shares Sold in Offerings), Develo and its agents were paid cash fees of $9,200. As previously mentioned in the above paragraph, in satisfaction of Warrants due under the Peak Agreement and the October 2008 Develo Agreement, the Company issued Develo a five-year Warrant dated February 27, 2009 for 148,000 underlying shares of the Company’s Common Stock with an exercise price of $0.52 per share. On April 29, 2011, Develo exercised the Warrant to purchase 148,000 shares. In order to exercise the Warrant pursuant to the cashless provisions thereof, Develo surrendered its right to receive 38,480 shares, resulting in an issuance to Develo of 109,520 shares of the Company’s Common Stock. (See Letter of Agreement with Develo, Exhibit 10.17, which exhibit is incorporated herein by reference.)

On May 1, 2009, the Company engaged Develo to provide investment banking services on a non-exclusive for a period of seven (7) months, terminating on December 31, 2009 (the “May 2009 Develo Agreement”). Under the May 2009 Develo Agreement, the Company agreed to pay Develo an equity transaction fee of cash (the “Cash Fee”) based on the amount of equity capital committed and closed during the term of the May 2009 Develo Agreement, of ten percent (10%) of the first $5 million, eight percent (8%) of the next $1 million, seven percent (7%) of the next $1 million, six percent (6%) of the next $1 million, and five percent (5%) of the next $1 million or greater balance. The May 2009 Develo Agreement also called for a cash fee of four percent (4%) of the total debt facility closed during the term of the May 2009 Develo Agreement. As additional compensation, the Company agreed to issue Develo a five-year Warrant to purchase underlying shares of the Company’s Common Stock equal to eight (8%) of the dollar amount of equity issued, and an additional Warrant equal to five percent (5%) of the total of equity or financing received from Develo investors for a period of two (2) years from the date of the May 2009 Develo Agreement. Pursuant to the August 2009 Offering (as more fully described below in Shares Sold in Offerings), the Develo Consulting Agreement dated September 1, 2009 (as more fully described below) and the May 2009 Develo Agreement, the Company and Develo mutually agreed to the payment of cash fees of $400,637 to Develo and its agents in exchange for Develo’s waiver of the issuance of the Warrant due under the May 2009 Develo Agreement. (See Letter of Agreement with Develo, Exhibit 10.31, which exhibit is incorporated herein by reference.)

On June 1, 2009, the Company engaged the law firm of Webb & Webb, P.C. on an hourly basis to represent the Company on general business matters and litigation. The retainer was paid through the issuance of 192,308 shares of the Company's Common Stock at a price of $0.52 issued to O'Huta Management Trust (the "Retainer Shares"). As services are performed by Webb & Webb, P.C., fifty percent (50%) of the regular charges incurred will be debited first against the retainer with the remaining fees paid in cash. On June 21, 2010, the Company issued Webb & Webb an additional 100,000 Retainer Shares at a price of $1.00 per share. There is a balance of $62,404 through December 31, 2011. The Retainer Shares were issued in reliance upon an exemption from registration under Section 4(2) of the Securities Act. (See Webb & Webb Engagement Letter, Exhibit 10.34, which exhibit is incorporated herein by reference.)

On June 25, 2009, the Company issued a Warrant to an individual in exchange for consulting services to the Company. The Warrant to purchase 200,000 underlying shares of the Company's Common Stock is exercisable for a period of five (5) years from the date of issuance at a price of $0.52 per share and contains provisions for a cashless exercise. The Warrant has not been exercised.

On July 18, 2009, the Company entered into a Cooperative Agreement (the "Agreement") with Mann Equity, LLC ("Mann Equity") providing that each party would cooperate in presenting each other potential sources of investment, venture capital funding, and other forms of business opportunities. The term of the Agreement is for a period of one (1) year and will continue on a month-to-month basis thereafter until a thirty (30) day written notice to terminate is provided by either party. The parties are currently working under the month to month arrangement. Terms of the Agreement called for Mann Equity to be compensated (i) with a cash fee equal to five percent (5%) of the gross proceeds of the financing provided and (ii) a five-year Warrant to purchase shares of the Company's Common Stock equal to eight (8%) of the gross funding potential of the financing provided, which Warrant shall have an exercise price per share equal to securities sold in the financing with accompanying unlimited piggyback registration rights, cashless exercise provisions and anti-dilution provisions. In conjunction with the funding by Fountain Fund 2 LP (the "Fountain Funding") on February 17, 2010, the Company issued Mann Equity a five-year Warrant for 400,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The Warrant has not been exercised. On April 15, 2010, the Company entered into an Addendum to the Cooperative Agreement with Mann Equity (the "Addendum") relative to certain fees earned by Mann Equity in connection with the Fountain Funding. Terms of the Addendum included a payment to Mann Equity of $100,000 representing the five percent (5%) that would be due on the minimum required draw on the Fountain Funding. (See Cooperative Agreement with Mann Equity, LLC, Exhibit 10.38 and Addendum to Cooperative Agreement, Exhibit 10.58, which exhibits are incorporated herein by reference.)

On September 1, 2009, the Company entered into a Consulting Agreement with Develo which initially expired March 1, 2010, but which was extended to May 1, 2010, under which Develo agreed to serve as placement agent for certain private placements for the Company. Develo was paid a cash commission of one percent (1%) net to Develo, and on December 31, 2009, the Company issued a five-year Warrant to Develo to purchase 500,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. Develo subsequently assigned 100,000 shares under the Warrant to unaffiliated third parties and the assigned Warrants for the 100,000 shares were exercised in December 2011. On January 16, 2012, Develo exercised its right to purchase 100,000 shares under the Warrant. In order to exercise the Warrant pursuant to the cashless provisions thereof, Develo surrendered its right to receive 41,770 shares thereunder and was reissued a Warrant for the remaining 258,230 shares thereunder. On February 6, 2012, Develo exercised the Warrant to purchase the remaining 258,230 available under the Warrant. In order to exercise the Warrant pursuant to the cashless provisions thereof, Develo surrendered its right to receive 80,421 shares thereunder, resulting in an issuance of 177,809 shares. In connection with services rendered as an agent of Develo, the Company issued a two-year Warrant on July 8, 2010 to an individual to purchase 39,683 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share, which Warrant has not been exercised. (See Consulting Agreement, Exhibit 10.40, which exhibit is incorporated herein by reference.)

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As of March 31, 2010, the Company owed $56,000 for consulting services, which sum was converted into 107,692 shares of the Company's Common Stock at a price of $0.52 per share. The shares were issued in reliance upon an exemption from registration under Section 4(2) of the Securities Act.

On April 20, 2010, the Company issued an individual a five-year Warrant to purchase 10,000 underlying shares of the Company's Common Stock at $0.80 per share. The Warrant was issued in exchange for financial consulting services rendered and has not been exercised.

On September 10, 2010, the Company issued an entity a five-year Warrant to purchase 50,000 shares of the Company's Common Stock at $1.25 per share. The Warrant was issued in connection with financial consulting services and has not been exercised.

On December 17, 2010, the Company entered into a Consulting Agreement with a Gregory Mastroieni for a two-year period (the "Agreement"). Compensation under the Agreement was provided by the issuance of a five-year Warrant to purchase 350,000 underlying shares of the Company's Common Stock at $1.25 per share. The Warrant has not been exercised. (See Consulting Agreement, Exhibit 10.69, and Common Stock Purchase Warrant, Exhibit 10.70, which exhibits are incorporated herein by reference.)

On April 21, 2011, the Company entered into a two-year consulting agreement with an individual. Compensation was paid through the issuance of a five-year Warrant to purchase 400,000 shares of the Company's Common Stock at an exercise price of $1.40 per share. Subsequently, 200,000 shares under the Warrant was assigned to an unaffiliated entity, The Warrants have not been exercised.

On May 31, 2011, the Company entered into a three-month consulting agreement with an individual. Compensation was paid through the issuance of a five-year Warrant to purchase 100,000 shares of the Company's Common Stock at an exercise price of $1.59 per share. The Warrant has not been exercised.

On August 24, 2011, the Company entered into a six-month consulting agreement with an individual, wherein compensation was paid through the issuance of a three-year Warrant to purchase 200,000 shares of the Company's Common Stock at an exercise price of $1.40 per share. The Warrant has not been exercised.

Shares Sold in Offerings

Listed within this subsection is information regarding shares of the Company's Common Stock sold in private offerings. (For further information, see form of Stock Purchase Agreement, Exhibit 10.16 and form of Common Stock Purchase Warrant, Exhibit 10.26, which exhibits are incorporated herein by reference.)

In March 2008, the Company accepted subscription agreements from three individuals to purchase an aggregate of 578,760 shares of the Company's Common Stock at $0.51835 per share for an aggregate purchase price of $300,000. These shares were issued in reliance upon an exemption from registration under Section 4(2) of the Act.

In June 2008, the Company offered 10,000,000 shares of its Common Stock for sale at $0.52 per share for an aggregated offering of $5,200,000 (the “June 2008 Offering”). From June 6, 2008 through October 28, 2008, the Company sold an aggregate of 2,373,923 shares for an aggregate purchase price of $1,234,439. The June 2008 Offering was terminated on October 31, 2008. In connection with the June 2008 Offering, the Company paid Peak a non-refundable retainer of $5,000 and an aggregate of approximately $102,000 in commissions, escrow fees and placement fees. In addition, as mentioned elsewhere herein, Develo and the Company agreed to the issuance to Develo of a five-year Warrant dated February 17, 2009 for 148,000 underlying shares of the Company’s Common Stock with an exercise price of $0.52 per share, which Warrant was issued in satisfaction of Warrants due under the Peak Agreement and the October 2008 Develo Agreement. The June 2008 Offering was made in reliance on exemptions from registration under Regulation D, Rule 506 of the Securities Act of 1933, as amended, and applicable state securities laws. (See Agreement with Develo Financial Group, LLC, Exhibit 10.17, which exhibit is incorporated herein by reference.)

On October 14, 2008, the Company entered into an investment banking services agreement with William Blair & Company (“Blair”). Under the agreement, Blair would be paid a placement fee equal to 5.50% of the total consideration received in any private placement it facilitated. The agreement is still in force although no private placements have yet been facilitated by Blair. (See Investment Banking Services Agreement with William Blair & Company, Exhibit 10.27, which exhibit is incorporated herein by reference.)

In February 2009, the Company offered 20,000,000 shares of its Common Stock for sale at $0.52 per share for an aggregated offering of $10,400,000 (the “February 2009 Offering”). From February 1, 2009 to February 28, 2009, the Company sold an aggregate of 176,924 shares for an aggregate purchase price of $92,000. The February 2009 Offering was terminated on March 1, 2009. Under the October 2008 Develo Agreement and in connection with the February 2009 Offering, Develo and its agents were paid cash fees of $9,200. The February 2009 Offering was made in reliance on exemptions from registration under Regulation D, Rule 506 of the Securities Act of 1933, as amended, and applicable state securities laws.

In August 2009, the Company offered 10,000,000 shares of its Common Stock for sale at $0.52 per share for an aggregated offering of $5,200,000 (the “August 2009 Offering”). On March 26, 2010, the Company’s Board of Directors approved an increase in the number of shares to be offered in the August 2009 Offering to 15,000,000 shares for aggregate gross proceeds of $7,800,000. The Company terminated the August 2009 Offering on April 30, 2010 after selling an aggregate of 13,709,658 shares for an aggregated purchase price of approximately $7,129,022. Pursuant to the August 2009 Offering, the Develo Consulting Agreement, and the May Develo Agreement (as more fully described above), the Company and Develo mutually agreed to the issuance to Develo of a five-year Warrant to purchase 500,000 underlying shares of the Company’s Common Stock at $0.52 per share in exchange for Develo’s waiver of fees due under the Develo Consulting Agreement. In connection with consulting services rendered in the August 2009 Offering, the Company issued five-year Warrants for an aggregate of 1,548,998 underlying shares of the Company’s Common Stock at an exercise price of $0.55 per share to Cobola Investments, LLC and its assigns on December 31, 2009. In addition, the Company issued a two-year Warrant for 39,683 underlying shares of the Company’s Common Stock at $0.52 per share to an agent of Develo on July 8, 2010, which Warrant was subsequently assigned to unaffiliated parties and exercised in December 2011. In the fourth quarter of 2011, Warrants to purchase an aggregate of 1,099,332 were exercised. The August 2009 Offering was made in reliance on exemptions from registration under Regulation D, Rule 506 of the Securities Act of 1933, as amended, and applicable state securities laws. (See Consulting Agreement with Develo Financial Group, Exhibit 10.40, which exhibit is incorporated herein by reference.)

On September 9, 2009, the Company entered into a one year placement agent agreement with National Securities Corporation ("National Securities") to raise capital in the form of debt, equity or equity-linked securities. Under the agreement, National Securities would receive a cash placement fee equal to seven percent (7%) of the aggregate sales price of all securities sold in the financing, in addition to a five-year Common Stock Purchase Warrant (the "Warrant") equal to seven percent (7%) of the number of shares sold in the financing. The Company paid National Securities a non-refundable retainer of $20,000. National Securities did not provide any financing under the agreement and the agreement terminated on September 8, 2010. (See Investment Banking Agreement with National Securities Corporation, Exhibit 10.41, which exhibit is incorporated herein by reference.)

In July 2010, the Company offered 8,000,000 shares of its Common Stock for sale at $1.25 per share for an aggregated offering of $10,000,000 (the "July 2010 Offering"). The Company closed the July 2010 Offering on November 12, 2010 after selling 795,000 shares for an aggregated purchase price of $966,550, net of commission of $27,200. The July 2010 Offering was made in reliance on exemptions from registration under Regulation D, Rule 506 of the Securities Act of 1933, as amended, and applicable state securities laws.

Common Stock Purchase Warrants Issued

Listed within this subsection is information regarding the Company's issuance of Common Stock Purchase Warrants ("Warrants"). (For further information, see form of Common Stock Purchase Warrant, Exhibit 10.26, which exhibit is incorporated herein by reference.)

On December 13, 2007, the Company issued a Warrant to an individual for 4,000,000 underlying shares of the Company's Common Stock. The Warrants were exercisable for a period of three (3) years from the date of issuance at a price of $1.0367 per share. The Warrants were not exercised and expired on the termination date of December 31, 2010.

On December 13, 2007, the Company issued a Warrant to one individual and one entity for an aggregate of 4,253,309 underlying shares of the Company's Common Stock. The Warrants were exercisable for a period of three (3) years from the date of issuance at a price of $1.0367 per share. On April 6, 2010, the Company revised both Warrants to decrease the exercise price to $0.52 per share and to extend the exercise period to December 12, 2017. Neither of the Warrants has been exercised.

On September 3, 2009, the Company issued a Warrant to an individual as additional consideration for an equity investment of $500,000. The Warrant to purchase 100,000 underlying shares of the Company's Common Stock expires two (2) years from the date of issuance, contains provisions for a cashless exercise, and has an exercise price of $0.52 per share. The Warrant was not exercised and expired on the termination date of September 3, 2011.

On December 31, 2009, the Company issued a Warrant to each of two individuals to purchase an aggregate of 112,500 underlying shares of the Company's Common Stock for consulting services rendered. The five-year Warrants have an exercise price of $0.52 per share. Neither of the Warrants has been exercised.

On January 1, 2010, the Company issued a Warrant to Foundation Medical, LLC in conjunction with a distribution agreement. The five-year Warrant to purchase 200,000 underlying shares of the Company's Common Stock has an exercise price of $0.52 per share. On December 8, 2011, 160,000 shares were exercised under the Warrant at a price of $0.52 per share. The remaining shares under the Warrant have not been exercised. (See Distribution Agreement with Foundation Medical, LLC, Exhibit 10.56, which exhibit is incorporated herein by reference.)

On January 28, 2010, the Company entered into an agreement with Fountain Fund 2 LP of Fountain Partners of San Francisco ("Fountain") for a lease line of credit for up to $5 million (the "Lease Line"). Under the Lease Line, CareView will lease installed CareView Systems™ from Fountain and will repay the draws on the Lease Line over a period of three (3) years. Upon execution of the Lease Line, the Company issued Fountain a ten-year Warrant to purchase 450,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. In association with services provided in connection with the Lease Line, the Company paid Mann Equity, LLC a cash fee of $100,000 and issued a five-year Warrant to purchase 400,000 underlying shares of the Company's Common Stock at $0.52. None of the Warrants have been exercised. (See Master Lease with Fountain Fund Partners, Exhibit 10.55, which exhibit is incorporated herein by reference.)

On August 20, 2010, pursuant to a Revocation and Substitution Agreement with T2, Thompson, Murphy and Langley (the "Agreement") and in exchange for the revocation of the Subscription Agreement by T2, Thompson, Murphy and Langley, the Company agreed to issue to each of Thompson, Murphy, and Langley a five-year Common Stock Purchase Warrant ("Warrant") to purchase 1,000,000 shares of the Company's Common Stock at an exercise price of $1.00 per share. None of the Warrants have been exercised. (See Subscription and Investor Rights Agreement, Exhibit 10.00 and Revocation and Substitution Agreement, Exhibit 10.64, which exhibits are incorporated herein by reference.)

In September 2010, the Company issued a purchase order to Ricoh for 3,000 Room Control Platforms in the aggregate amount of $2,270,640 (the "Ricoh Purchase Order") and also entered into an Intellectual Property Agreement. In connection with and as security for the payment by the Company of the Ricoh Purchase Order, the Company issued a Promissory Note to Plato & Associates, LLC, a Missouri limited liability company ("Plato"), in an amount up to the amount of the Ricoh Purchase Order. The Note is dated November 1, 2010 and will be due in full twelve (12) months from the date of receipt of any funds received thereunder with interest to accrue at the rate of four percent (4%) per annum. To date, no funds have been advanced under the Note. As consideration for Plato to secure the Ricoh Purchase Order, the Company issued Plato a Common Stock Purchase Warrant ("Warrant") for the purchase of 2,300,000 shares of the Company's Common Stock. The five-year Warrant has an exercise price of $1.00 per share. Subsequently, Plato assigned 1,300,000 shares under the Warrant to unaffiliated entities. None of the Warrants have been exercised. (See Promissory Note with Plato & Associates, LLC, Exhibit 10.68, which exhibit is incorporated herein by reference.)

Stock Options and Warrants Issued to Directors, Executive Officers, Committees of the Board and Significant Employees

Listed within this subsection is information regarding the Company's issuance of Non-Qualified Stock Options ("Options") and Common Stock Purchase Warrants ("Warrants") to the Company's directors, executive officers and significant employees. (See form of Non-Qualified Stock Option, Exhibit 10.10 and form of Common Stock Purchase Warrant, Exhibit 10.26, which exhibits are incorporated herein by reference.)

For a description of the Company’s stock incentive plans, see Securities Authorized for Issuance under Equity Compensation Plans herein, CareView Communications, Inc. 2007 Stock Incentive Plan, Exhibit 10.09, CareView Communications, Inc. 2009 Stock Incentive Plan, Exhibit 10.42, form of Non-Qualified Stock Option, Exhibit 10.10, and form of Common Stock Purchase Warrant, Exhibit 10.26, which exhibits are incorporated herein by reference.

Tommy G. Thompson
Chairman of the Board, Chair of the Compensation Committee

On January 6, 2010, Mr. Thompson was issued an Option under the 2009 Plan for 100,000 underlying shares of the Company’s Common Stock at an exercise price of $0.52 per share. The underlying shares of the ten-year Option vested immediately upon issuance. The Option was issued in exchange for the services provided by Mr. Thompson for the year ended December 31, 2009 in his role as Chairman of the Board and as Chair of the Compensation Committee. The Option has not been exercised.

On March 26, 2010, Mr. Thompson was issued an Option under the 2009 Plan for 100,000 underlying shares of the Company’s Common Stock at an exercise price of $0.52 per share. The underlying shares of the ten-year Option vest on December 31, 2010. The Option was issued in exchange for the services already provided and to be provided by Mr. Thompson for the year ending December 31, 2010 in his role as Chairman of the Board and as Chair of the Compensation Committee. The Option has not been exercised.

As outlined elsewhere herein, on August 20, 2010, the Company issued Mr. Thompson a five-year Warrant to purchase 1,000,000 shares of the Company’s Common Stock at an exercise price of $1.00 per share. The Warrant has not been exercised. (See Subscription and Investor Rights Agreement, Exhibit 10.00 and Revocation and Substitution Agreement, Exhibit 10.64, which exhibits are incorporated herein by reference.)

Samuel A. Greco
Chief Executive Officer and Director

On March 16, 2009, Mr. Greco was issued an Option under the 2007 Plan for 500,000 underlying shares of the Company’s Common Stock at an exercise price of $0.52 per share. The underlying shares of the ten-year Option vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option; however, on July 3, 2009, the Company’s Board of Directors amended the vesting provisions so that all underlying shares were immediately vested. The Option has not been exercised.

On October 9, 2009, Mr. Greco was issued an Option under the 2007 Plan for 1,763,735 underlying shares of the Company’s Common Stock at an exercise price of $0.52 per share. The underlying shares of the ten-year Option vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option. The Option has not been exercised. After the Option was issued, the 2007 Plan was closed.

On October 9, 2009, Mr. Greco was issued an Option under the 2009 Plan for 999,074 underlying shares of the Company’s Common Stock at an exercise price of $0.52 per share. The underlying shares of the ten-year Option vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option. The Option has not been exercised.

On January 6, 2010, Mr. Greco was issued an Option under the 2009 Plan for 50,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The underlying shares of the ten-year Option vested immediately upon issuance. The Option was issued in exchange for the services provided by Mr. Greco for the year ended December 31, 2009 in his role as a director. The Option has not been exercised.

On March 26, 2010, Mr. Greco was issued an Option under the 2009 Plan for 50,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The underlying shares of the ten-year Option vest on December 31, 2010. The Option was issued in exchange for the services already provided and to be provided by Mr. Greco for the year ending December 31, 2010 in his role as a director. The Option has not been exercised.

Steve Johnson
President, Chief Operating Officer, and Director

On January 6, 2010, Mr. Johnson was issued an Option under the 2009 Plan for 50,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The underlying shares of the ten-year Option vested immediately upon issuance. The Option was issued in exchange for the services provided by Mr. Johnson for the year ended December 31, 2009 in his role as a director. The Option has not been exercised.

On March 26, 2010, Mr. Johnson was issued an Option under the 2009 Plan for 50,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The underlying shares of the ten-year Option vest on December 31, 2010. The Option was issued in exchange for the services already provided and to be provided by Mr. Johnson for the year ending December 31, 2010 in his role as a director. The Option has not been exercised.

Anthony P. Piccin
Chief Financial Officer, Treasurer and Secretary

On November 7, 2011, Mr. Piccin was appointed as the Company's Chief Financial Officer, Treasurer and Secretary.

On July 18, 2011, Mr. Piccin was issued an Option under the 2009 Plan for 25,000 underlying shares of the Company's Common Stock at an exercise price of $1.69 per share. The underlying shares of the ten-year Option vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option. The Option has not been exercised.

On December 12, 2011, Mr. Piccin was issued an Option under the 2009 Plan for 50,000 underlying shares of the Company's Common Stock at an exercise price of $1.51. The underlying shares of the ten-year Option vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option. The Option has not been exercised.

L. Allen Wheeler
Director, Chair of the Audit Committee

On January 6, 2010, Mr. Wheeler was issued an Option under the 2009 Plan for 75,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The underlying shares of the ten-year Option vested immediately upon issuance. The Option was issued in exchange for the services provided by Mr. Wheeler for the year ended December 31, 2009 in his role as a director. The Option has not been exercised.

On March 26, 2010, Mr. Wheeler was issued an Option under the 2009 Plan for 75,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The underlying shares of the ten-year Option vest on December 31, 2010. The Option was issued in exchange for the services already provided and to be provided by Mr. Wheeler for the year ending December 31, 2010 in his role as a director. The Option has not been exercised.

Gerald A. Murphy
Director

As outlined elsewhere herein, on August 20, 2010, the Company issued Mr. Murphy a five-year Warrant to purchase 1,000,000 shares of the Company's Common Stock at an exercise price of $1.00 per share. The Warrant has not been exercised. (See Subscription and Investor Rights Agreement, Exhibit 10.00 and Revocation and Substitution Agreement, Exhibit 10.64, which exhibits are incorporated herein by reference.)

In December 2011, Gerald Murphy, a director of the Company, exercised Warrants he acquired from third parties to purchase an aggregate of 514,666 shares of the Company's Common Stock at an exercise price of $.55 per share.

John Bailey
Former Chief Financial Officer, Treasurer, and Secretary

Mr. Bailey served as the Company's Chief Financial Officer, Treasurer and Secretary from January 20, 2004 until his resignation on November 7, 2011.

On December 3, 2007, Mr. Bailey was issued an Option under the 2007 Plan to replace an earlier option granted under the 2005 Plan (the "Replacement Option"). The ten-year Replacement Option was for 2,042,830 underlying shares of the Company's Common Stock at an exercise price of $0.1480 per share. On April 8, 2011, Mr. Bailey exercised the Replacement Option to purchase 2,042,830 shares of the Company's Common Stock at an aggregate exercise price of $302,339.

On January 6, 2010, Mr. Bailey was issued an Option under the 2009 Plan for 50,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The underlying shares of the ten-year Option vested immediately upon issuance. The Option was issued in exchange for the services provided by Mr. Bailey for the year ended December 31, 2009 in his role as Secretary. On June 9, 2011, Mr. Bailey exercised the Option to purchase 50,000 shares of the Company's Common Stock at an aggregate exercise price of $26,000.

On March 26, 2010, Mr. Bailey was issued an Option under the 2009 Plan for 50,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The underlying shares of the ten-year Option vest on December 31, 2010. The Option was issued in exchange for the services already provided and to be provided by Mr. Bailey for the year ending December 31, 2010 in his role as Secretary. On June 9, 2011, Mr. Bailey exercised the Option to purchase 50,000 shares of the Company's Common Stock at an aggregate exercise price of $26,000.

Craig Benson
Chair of Advisory Board

On February 13, 2008, Mr. Benson was issued an Option under the 2007 Plan for 25,000 underlying shares of the Company's Common Stock at an exercise price of $1.00 per share. The underlying shares of the ten-year Option vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option. The Option has not been exercised.

Kyle Johnson
Director of Technology

On December 3, 2007, Mr. Johnson was issued an Option under the 2007 Plan to replace an earlier option granted under the 2005 Plan (the "Replacement Option"). The ten-year Replacement Option was for 321,018 underlying shares of the Company's Common Stock at an exercise price of $0.5183 per share. On May 18, 2011, Mr. Johnson exercised the Replacement Option to purchase 37,344 shares at an aggregate exercise price of $19,350.

On March 4, 2009, Mr. Johnson was issued an Option under the 2009 Plan for 100,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The underlying shares of the ten-year Option were to vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option; however, on July 3, 2009, the Company's Board of Directors amended the vesting provisions so that all underlying shares were immediately vested. On May 18, 2011, Mr. Johnson exercised the Option to purchase 100,000 shares at an aggregate exercise price of $52,000.

On December 22, 2009, Mr. Johnson was issued an Option under the 2009 Plan for 125,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The underlying shares of the ten-year Option vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option. On May 18, 2011, Mr. Johnson exercised the Option to purchase 41,666 shares of the Company's Common Stock at an aggregate exercise price of $21,667.

On May 18, 2010, Mr. Johnson was issued an Option under the 2009 Plan for 453,982 underlying shares of the Company's Common Stock at an exercise price of $1.25 per share. The underlying shares of the ten-year Option vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option. The Option has not been exercised.

On December 12, 2011, Mr. Johnson was issued an Option under the 2009 Plan for 50,000 underlying shares of the Company's Common Stock at an exercise price of $1.51 per share. The underlying shares of the ten-year Option vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option. The Option has not been exercised.

Matthew Clark
Director of Software Development

On October 27, 2008, Matthew Clark was issued an Option under the 2007 Plan for 25,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The underlying shares vested on the first anniversary date of the issuance of the Option. The Option has not been exercised.

On March 5, 2009, Matthew Clark was issued an Option under the 2007 Plan for an aggregate of 25,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The underlying shares vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option. The Option has not been exercised.

On December 22, 2009, Matthew Clark was issued an Option under the 2009 Plan for an aggregate of 125,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The underlying shares vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option. The Option has not been exercised.

On January 18, 2011, Matthew Clark was issued an Option under the 2009 Plan for an aggregate of 75,000 underlying shares of the Company's Common Stock at an exercise price of $1.62 per share. The underlying shares vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option. The Option has not been exercised.

On December 12, 2011, Matthew Clark was issued an Option under the 2009 Plan for an aggregate of 50,000 underlying shares of the Company's Common Stock at an exercise price of $1.51 per share. The underlying shares vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option. The Option has not been exercised.

Stock Options Issued to Other Employees

Listed within this subsection is information regarding the Company's issuance of Non-Qualified Stock Options ("Options") to employees of the Company who are not directors or executive officers and who are not considered to be a 'significant employee.' (See form of Non-Qualified Stock Option, Exhibit 10.10, which exhibit is incorporated herein by reference.)

On December 3, 2007, three employees were issued Options under the 2007 Plan to replace earlier options granted under the 2005 Plan (the "Replacement Option"). The ten-year Replacement Options were for an aggregate of 288,916 underlying shares of the Company's Common Stock at an exercise price of $0.5183 per share. The underlying shares vested immediately upon issuance. Upon termination of one employee, the Company extended the expiration date for the exercise of 32,102 underlying shares to December 10, 2010, which option later expired without being exercised. On May 12, 2010, the Company received payment and a Notice of Exercise from another employee to purchase 160,509 shares at $0.5183 per share and issued the shares. No other Replacement Options have been exercised.

On February 13, 2008, one employee was issued an Option under the 2007 Plan for 150,000 underlying shares of the Company's Common Stock at an exercise price of $1.00 per share. The underlying shares vested immediately upon issuance. The Option has not been exercised.

On March 5, 2009, six employees were issued Options under the 2007 Plan for an aggregate of 115,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The underlying shares vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option. Upon termination of one employee, an Option for 10,000 underlying shares was canceled. The Options have not been exercised.

On December 22, 2009, eight employees were issued Options under the 2009 Plan for an aggregate of 105,000 underlying shares of the Company's Common Stock at an exercise price of $0.52 per share. The underlying shares vest at the rate of one-third of the shares on the first, second, and third anniversary date of the issuance of the Option. Subsequent to the resignation of an employee on February 8, 2010, an Option for 5,000 underlying shares was

cancelled. The Options have not been exercised.

Between January 18, 2011 and April 21, 2011, the Company issued non-qualified stock options to employees to purchase up to 235,000 underlying shares of Common Stock pursuant to the CareView Communications, Inc. 2009 Stock Incentive Plan ("2009 Plan"). The ten-year 2009 Plan Options have an exercise price of between $1.53 and $1.66 per share and vest over a three-year period, one-third per year on the anniversary date of the Option. Of the 235,000 options mentioned above, 5,000 were forfeited during the second quarter due to a termination of the employee. The Options have not been exercised.

In July 2011, the Company granted a 2009 Plan Option to purchase 7,500 shares of Common Stock to an employee of the Company. The ten-year 2009 Plan Option has an exercise price of $1.69 per share and vests over a three-year period, one-third per year on the anniversary date of the Option. The Option has not been exercised.

On August 29, 2011, the Company granted a 2009 Plan Option to purchase 5,000 shares of Common Stock to an employee of the Company. The ten-year 2009 Plan Option has an exercise price of $1.40 per share and vests over a three-year period, one-third per year on the anniversary date of the Option. The Option has not been exercised.

On October 31, 2011, the Company granted a 2009 Plan Option to purchase 24,000 shares of Common Stock to an employee of the Company. The ten-year 2009 Plan Option has an exercise price of $1.50 per share and vests over a three-year period, one-third per year on the anniversary date of the Option. The Option has not been exercised.

On December 12, 2011, the Company granted 2009 Plan Options to purchase an aggregate of 530,000 shares of Common Stock to employees of the Company. The ten-year 2009 Plan Options have an exercise price of $1.51 per share and vests over a three-year period, one-third per year on the anniversary date of the Option. The Options have not been exercised.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected financial information should be read in conjunction with, and is qualified in its entirety by the accompanying consolidated financial statements and related notes.

	December 31,				
	2011	2010	2009	2008	2007
	(In thousands)				
Total assets	$21,956	$5,960	$3,917	$3,597	$3,428
Total liabilities	$6,036				