



William N. Walling, Jr.
Chartered Financial Analyst

January 25, 2010

To: The Board of Directors
instaCare Corp. (ISCR)

INTRODUCTION

Your have engaged me to : (1) work with you and to publish 2010/2011 financial guidance for shareholders and other interested parties; (2) participate in your Guidance Conference Call scheduled for 1/27/10; and (3) prepare an investment research report about ISCR at a later date. This memo is solely concerned with the financial guidance matter.

In effect, you have retained me to be the surrogate for your shareholders regarding financial guidance about ISCR during 2010/2011. I am pleased to have the opportunity to work with you in this capacity on their behalf. This protocol emphasizes how seriously you regard the subject of comprehensive and straight-forward communication with your shareholders about your company's near-and-intermediate term issues and plans. I think your decision to retain an experienced external financial analyst to evaluate management's guidance forecasts has much merit and that other publicly traded companies should consider adopting this practice.

FINANCIAL DATA (\$ mil.)

instaCare Corp.

| | | | (a) | Without Healthcare <u>Reform</u> | With Healthcare <u>Reform</u> | | |
|-----------|--------------|--------------|--------------|--|-------------------------------------|--------------|--------------|
| | <u>2007A</u> | <u>2008A</u> | <u>2009E</u> | <u>2010E</u> | <u>2011E</u> | <u>2010E</u> | <u>2011E</u> |
| - Revenue | \$6.3 | \$15.0 | \$19.6 | \$29.5 | \$45.1 | \$32.1 | \$51.6 |
| % Change | N.A. | 138% | 31% | 51% | 53% | 64% | 61% |
| EBITDA | \$(1.1) | \$0.5 | \$2.0 | \$2.0 | \$8.0 | \$ 2.2 | \$9.2 |
| % Change | N.A. | N.C. | 300% | 0% | 300% | 10% | 318% |

(a) - Based on actual nine-month results, annualized.
N.A. - Not Available.
N.C. - Not Calculable.
Source: instaCare Corp.



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MY EVALUATION OF YOUR FORECASTS

These forecasts have been prepared by your management. It is my impression that management has taken considerable care to be as accurate as possible in making these forecasts, in part by creating them on a “bottom-up” and line-by-line basis. Nonetheless, because the future is always fundamentally uncertain, most forecasts seldom achieve perfect accuracy. Hence, getting “reasonably close” is about the best a forecaster can usually do. As an external analyst, I have reviewed and evaluated the data presented to me as professionally as possible. **My conclusion is that your forecasts for revenues and EBITDA in 2010/2011 are reasonable, not merely plausible, based on the information you have supplied me, in conjunction with my knowledge about financial analysis and the healthcare industry.** My line of reasoning follows.

Revenues

1. Revenues have increased sharply and steadily from \$6.3 million in 2007 to an estimated \$19.6 million in 2009, more than a tripling in just two years. Thus, strong growth momentum has been in place, and is still intact. This is even more remarkable when one takes into account the fact the recessionary decline in economic output in 2008 was the worst for any year since the Depression.

2. Secular (long-term) demand forces should continue to spur healthcare spending.

- The U.S. population of over 300 million people is graying (elsewhere, too) with the average age having crept up to 77 years.
- For the average person, 80% of their lifetime medical outlays occurs after age 55.
- Healthcare spending is huge, accounting for about 17% of gross domestic product, or over \$2 trillion annually.

3. instaCare has a promising new digital product suite consisting of software and technology that functions through a commercially available smart cell-phone(s): MD@Hand, MD@Work, and MD@Practice-Probe. They permit physicians and others to utilize the power of the computer in storing and managing patient medical records: ERM (Electronic Record Management). Their digitization is faster and more accurate than traditional manual means and can occur at the point of service. Only a minority of physicians are presently utilizing ERM for all of their record-keeping. To show how fragmented the current market is there are at least four acronyms to describe the current ERM markers. Therefore, a large opportunity exists for ISCR to penetrate the ERM markets as they coalesce around a single standard for medical records systems and a single standard for remote medical data networks, all the while helping to make the record-keeping part of the healthcare industry more efficient.



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In short, your forecast has two powerful forces powering ISCR's demand growth: one is society-wide ("graying") and one is ISCR-specific (key new product). **Thus, I believe your forecasts for revenues to increase to \$29.5 million in 2010 and \$45.1 million in 2011 with no change in the healthcare structure of the U.S. (and to \$32.1 million in 2010 and \$51.6 million in 2011 with healthcare reform in place) have a high probability of occurring as approximate dollar levels.**

EBITDA

EBITDA is an accounting acronym for Earnings Before Interest, Taxes, and Depreciation and Amortization. In ISCR's case, EBITDA is a virtual synonym for Earnings because the Company pays a proportionally low amount of interest, except for interest paid on its credit line, which is proportional, pays no income taxes, and depreciation and amortization is minimal. **I am also comfortable with management's 2010/2011 forecasts for EBITDA. These forecasts, which show EBITDA growing rapidly from \$(1.1) million in 2007 to levels of \$8.0 million/\$9.2 million in 2011 are defensible for the following reasons.**

1. Rapid growth in revenues should trigger "earnings leverage" because of some fixity in the Company's cost structure (especially in G&A and Payroll Expenses).
2. Revenues from the new digital products are projected to increase strongly from zero in 2009 to the \$15 million level in 2011, which would represent 29%-33% of total revenues estimated for that year. And, these new products should provide much higher profit margins than ISCR's historic Diabetes/Medical Surgery product line for these reasons: (a) the high economic value of benefits to the user; (b) its uniquely differentiated product characteristics; (c) the absence of competitive alternatives; (d) product R&D has been completed; and (e) no on-going expensive on-going field technical support will have to be provided by the Company. Further, pending new strategic marketing relationships and formats are likely to come to fruition and accelerate the sales rate of this dynamic product.

RISK FACTORS AND UNCERTAINTIES

Notwithstanding the forecasts for substantial growth in revenues and EBITA expressed above, uncertainties are ever present. Among these are the following:

1. Healthcare Reform – Its current stalemated federal legislative status could turn into a populist backlash and create an environment which could have an adverse impact on spending for new healthcare technologies, including instaCare's new mobile digital ERM products.
2. Management Distractions -- Current management may have to deal with some adverse consequences caused by actions of a former senior officer and directors. If this occurs, it could distract management's focus and impede its efforts to promptly exploit ISCR's attractive product opportunities, and could entail other costs as well.



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3. Need For Equity Capital – Full capitalization of our promising digital mobile product potentials would require procurement of additional equity funds. These would be more dilutionary and possibly difficult to obtain, especially in a still-constrained capital market environment.

DISCLAIMER

This report contains forward-looking statements about a client company's business, or financial condition and prospects that reflect my assumptions and beliefs based on information currently available. I can give no assurance that the expectations indicated by such forward-looking statements will be realized. There may be other risks and circumstances that I am unable to predict. When used in this report, words such as "believes," "expects," "intends," "plans," "anticipates," "estimates" and similar expressions are intended to identify forward-looking statements, although there may be certain forward-looking statements not encompassed by such expressions. I was engaged by the Company and paid by it for the preparation of this memo and for my participation on a specific conference call. This document is not an investment research report nor is it a recommendation to purchase the Company's stock.

Respectfully submitted,

William N. Walling, Jr., CFA