



January 19, 2010

Dear Fellow Shareholders,

InstaCare enters 2010 in the strongest position in the history of the Company, coming off record revenue for 2009. The last year was one of breakout financial performance across the board. For the first nine months of the year, we grew revenues by 58% to \$14.7 million compared to \$9.3 million last year. Increased revenues were primarily associated with surging demand for the Company's sale of at-home medical diagnostic and medical disposable products for patients with chronic diseases. We also achieved profitability, generating net income of \$1.6 million for the first nine months compared to a loss of approximately \$17,000 in the same period last year. Although a percentage of the net income earned was attributable to one-time gains, I am pleased to report that our core business was profitable throughout the year.

We also realized a number of non-financial goals, including the completion of development for our revolutionary MD@Hand and MD@Work platform for cell phones and smart phones and the emergence of InstaCare as an immediate participant in the race to develop and deploy technology to assist the requirements of federal guidelines or proposed reform legislation, no matter the congressional or executive sponsor of the reforms. We added two distribution facilities to further grow our pharmaceutical and test distribution business and agreed to distribute two new medical surgical product lines. Finally, we solidified our financial position, and renewed our commercial credit line on better terms. In aggregate, this progress sets the stage for an even stronger year in 2010.

I'm proud of the progress InstaCare has made, building a robust distribution business for life-saving and life-enhancing prescription drugs and diagnostics to several channels in the healthcare industry. We have built a profitable business, with 2009 revenues approaching \$20 million on an annualized basis, powering and funding the foundation for our software and technology development business. We view the MD@Hand segment of our business, our proprietary platform for Electronic Medical Records (EMR), as the future of InstaCare.

As the debate over healthcare continues, nobody knows exactly what new laws will be enacted. But one thing is certain, the confluence of technology and healthcare will continue unabated. Everyone knowledgeable with the topic appears to agree that the use of technology to streamline the collection and management of patient records, to prevent often deadly human error, and to accelerate the diagnosis and streamline therapies is necessary. In February, 2009 the Obama administration issued summary health industry cost saving initiatives as part of their proposed national healthcare policy overhaul. A specific area of focus and also an area of future and proposed federal investment will be in electronic medical patient records technologies and other medical electronic cost-saving technologies. InstaCare's products and technologies fit into the "sweet spot" of the government's proposed EMR initiative, as InstaCare has developed a proven, comprehensive, easy-to-use software-based platform designed to run on widely used smart phones.

Our proprietary MD@Hand, MD@Work and Practice Probe software technologies manage critical patient data (electronic medical records), enhance productivity (electronic cost saving technologies) and facilitate communication with other applications in the healthcare, medical practice and medical



products distribution markets. Our crown jewel suite, MD@Work, is a revolutionary technology that employs mathematical game theory to medical decision making. We consider this product a kinder and gentler approach to bureaucratic panels, allowing organizations that treat older Americans to provide counseling to patients with complex illnesses or end of life conditions, based on medical input and cost benefit analysis, all available to a medical practitioner instead of a panel, and all suitable for posting to the patient's chart and therefore a permanent part of the patient's record.

We have completed the updates of our medical EMR technologies to include the elastic controls that allow our technologies to work seamlessly on many varieties of smart cell phones, and readying two and perhaps three, new patent applications, to secure InstaCare's proprietary medical technologies, MD@Hand, MD@Work and Practice Probe, for use with smart phones such as the Apple iPhone, Verizon Windows phones, the Palm Pre, the ubiquitous Google 'Droid and RIM's Blackberry line.

I also want to take a moment to discuss the patent process for our technologies that we are currently going through. In the United States, a patent application must be filed no later than one year after the description of the technology or process for which a patent application will or may be filed. Our MD@Hand for cell phones was published or publicly disclosed in November 2009. Subsequently the Company updated its web site with the one year deadline in mind. Further, we have been informed that disclosure under a signed confidentiality agreement is not deemed to be "public disclosure." So, while InstaCare is currently completing the work on its patents for the technology that provides the foundation for its MD@Hand, MD@Work and MD@Practice-Probe, we continue to meet with interested parties. We are also aware that the need for products such as MD@Hand and MD@Work could be highly influenced by current trends. It was a confluence of positive events that has allowed us to test-market MD@Hand and now MD@Work without having to decide whether to make hasty patent filings. It is important that our shareholders understand that patent applications aren't published or made available by the U.S. Patent and Trademark Office until at least 18 months after filing.

The opportunity for technology to facilitate the collection, storage, retrieval and management of EMRs is substantial. Beyond the current health reform initiatives before Congress, and the changes these initiatives may endure in the coming days, the transition to a more digital collection and management of patient information has been progressing for some time. Despite this ongoing initiative, however, the industry has yet to fully embrace technology. That is changing, and rapidly. In early 2008, the National Center for Health Statistics (NCHS) conducted a mail survey of office-based physicians to obtain a preliminary estimate of their use of EMRs. In the 2008 mail survey, 38.4% of the physicians reported using full or partial EMR systems, not including billing records, in their office-based practices. About 20.4% reported using a system described as minimally functional and including the following features: orders for prescriptions, orders for tests, viewing laboratory or imaging results, and clinical notes. (Source: Preliminary Estimates of Electronic Medical Record Use by Office-based Physicians: U.S., 2008, retrieved from <http://cdc.gov/nchs/data/hestat/physicians08/physicians08.htm>). This survey shows that the minority of doctors are using an EMR system, and, importantly, most of those who are using EMR systems are using incomplete systems. The opportunity to further penetrate this industry is clear and compelling, the incentives great, and there is an increasing demand for a comprehensive, easy-to-use system.



Beginning in mid-2008, we added modules to our medical and EMR applications, currently being developed under the trade name DecisionIT. The modules allow for better management of medical products distribution and reporting management. Today, we possess a powerful tool that accomplishes the digitization of patient records, one of the hottest segments of the healthcare industry. As has been so widely pointed out during this high profile healthcare reform debate, healthcare represents approximately one-sixth of the U.S. economy and EMR initiatives are among the areas of most intense investment today. InstaCare is uniquely positioned in an exciting space at the ideal time with the perfect solution, a solution we own. In a market where base technology companies are scurrying to come up with primary programming platforms that will eventually allow our future competitors to begin building their product offerings, InstaCare has a completed suite of in demand applications suitable for all major smart cell phones on the market.

Another area of major importance to the Board in 2010 will be to qualify for a listing on a national exchange, likely the NYSE-Amex. In the Board's estimation, as we achieve our financial and strategic objectives, the company expects to be a sought after commodity for listing on the Amex exchange, which specializes in listings for high-growth medical companies as well as medical technology companies where the proprietary technology can be monetized. Amex provides the company with a confluence of positives and will allow us to monetize the value of our patents and technologies directly into added shareholder value. Such a listing would also provide our shareholders with increased liquidity and access to almost the entire retail brokerage community. In addition, Amex-listed companies are "blue-skied" nationwide, enabling a new audience of institutional investors to consider investments in InstaCare. The Company already meets many of the alternative listing strategies. A jump to this exchange is one of the more exciting of our goals for 2010.

Instacare is a technology company. Our technologies have generated significant interest in the traditional healthcare industry, which is satisfying and gratifying since we do not employ a national advertising program. This interest has allowed us to finalize our 2010 parallel marketing strategy, as previously announced. This strategy involves partnering with two of the organizations that have contacted us about our MD@Hand and MD@Work cell phone centric EMR/HER products, that employ medical management tools through the use of mathematical games theory to provide alternative diagnoses, treatments, expected outcomes and cost benefit analyses all at the point of patient care, no matter where the physicians treating the patient are located. InstaCare has thus far received six inquiries from traditional healthcare companies, including systems providers, insurers, a large commercial laboratory, and two health benefits management organizations. The inquiries resulted in expressions of interest or detailed outlines regarding potential partnerships. Some of these entities are interested in acquiring our software outright. Others are interested in strategic partnerships to distribute our technology through their existing sales channels.

Management and the Board of Directors are evaluating the Company's options through each of the potential partners, and the Board has asked management to contact three of the interested parties and engage in direct discussions. We are cautiously optimistic that additional interested parties will emerge during this process, further expanding our opportunities. We think the coming 90 days will be exciting for InstaCare as we take the next several concrete steps to monetize the MD@Hand platform which we've spent so much time and energy to develop. Clearly, the political climate and the focus of the industry works to our advantage in this area.



Looking into the future, during 2010 and after, we are engaged in several initiatives designed to unlock shareholder value. Our objectives include:

- Providing medical communication devices for the purposes of EMR exchange based on networks of personal smart cell phones (Palm Pre, Apple iPhone, Verizon Windows phone). These products are believed to provide benefits of on-demand medical information to private practice physicians, licensed medical service providers such as diagnostic testing laboratories, federal entitlement programs (Medicare, Medicaid) and most importantly, medical insurers;
- The distribution of medical diagnostic products primarily aimed at institutions that service patients with diabetic and asthma related diseases and ailments. Our current market focus for these products is the assisted living and long-term care sector of the larger healthcare market, however we plan to expand into additional sectors where we can service certain chronic ambulatory disease states.
- Building partnerships with traditional healthcare systems companies and health insurers for the parallel marketing of our MD@Hand and MD@PracticeProbe technologies.
- Targeting a listing on a national exchange, likely the NYSE-Amex, during 2010, as we achieve our financial objectives and those listed above.

As you can see, our optimism in the future and our confidence of InstaCare's success is increasing. To that end the Company has engaged William N. Walling, CFA to work with management and publish 2010 and 2011 guidance for shareholders and interested parties. Mr. Walling has also agreed to defend his guidance in a report and in interactive sessions with shareholders and interested parties. We believe that shareholders will be excited to see how we plan to progress.

On behalf of the Board of Directors and senior management, I hope you share our enthusiasm for the future of InstaCare. It has taken a tremendous amount of work, and a good deal of patience, to reach this point, and we are optimistic you will see the fruits of this labor during 2010.

Sincerely,

A handwritten signature in blue ink that reads "Robert Jagunich". The signature is written in a cursive, flowing style.

Robert Jagunich
Chairman of the Board of Directors

Forward-Looking Statements

This Letter to Shareholders contains forward-looking statements about our business, or our financial condition and prospects that reflect our assumptions and beliefs based on information currently available. We can give no assurance that the expectations indicated by such forward-looking statements will be realized. There may be other risks and circumstances that we are unable to predict. When used in this Letter to Shareholders, 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 accompanied by such expressions. All forward-looking statements are intended to be covered by the safe harbor created by Section 21E of the Securities Exchange Act of 1934