



Ermine Biomedical Solutions, Inc.

August 12, 2005

Dear Sir or Madam:

EBS specializes in the manufacturing and development of products for use in emergency rooms. We have an existing line of orthopaedic products for use with broken arms, particularly those of young (ages 5-12) children. In particular, we have a line of implantable plates for fracture fixation.

Since patients with fractures requiring internal fixation are only a small fraction of the total number of injuries each year, we would like to expand our product line to serve patients who only require casts. This is a well-established market and we will need some novel products to compete with the existing firms. Therefore, we would like to have your teams develop a series of potential products for our firm.

In general, we are looking for products that fall into one of the following three categories, (1) improve the existing product (e.g. a new material for the cast), (2) develop a product that makes living with a cast better (e.g. an arm scratcher for inside the cast), or (3) develop a product to improve the survivability of the existing designs (e.g. a waterproof covering for the cast, allowing the wearer to take a shower). The ideal product will be inexpensive to produce, but will have good sales price, yielding high profitability.

As you develop your products, I would ask you to consider the following constraints

- This product will be sold to hospitals for use with children in the 5-12 year old age group.
- While the product can be gender specific, versions need to be available for both boys and girls.
- The product will have to last until the cast is removed, typically around a month. In the past this has proved to be a challenge, since at the end of their recovery period, these children are active in the playground and sports.
- Since the product will be used with relatively young children, product safety is critical.
- The product will, in the end, be paid for by either the insurance or by the parents of the child. In the former case, it will need to reduce their costs by protecting the cast. In the latter case, it will need to be sufficiently attractive to create cash sales.
- The product should have a final production cost of no more than \$10 each (we will sell them for 2-3 times that amount)

Since we will to sell these products to the public, protecting the designs through the appropriate intellectual property laws, either copyright or patent depending on the nature of the design, is essential. Therefore, we request that you document both your design and the process by which it was created. These documents will protect us, if we are asked to defend the designs in court. In addition, I would ask that you keep me informed of your progress through a series of weekly progress memos.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mordecai Fleam".

Mordecai Fleam, MD, PhD
President and Chief Executive Officer