BUSINESS PLAN

LOCOMOTION INC.

A REHABILITATION EQUIPMENT COMPANY

LEEDS SCHOOL OF BUSINESS
UNIVERSITY OF COLORADO AT BOULDER

DRAFT FEBRUARY 25, 2006

GEOFFREY SNYDER
LOCOMOTIONGS@GMAIL.COM
303.859.3767

JEANINE LEE
LOCOMOTIONJL@GMAIL.COM
303.596.5141

Table of Contents

Executive Summary

Locomotion Inc. is a startup company focusing on solving a compelling need for improved treadmill therapy solutions for rehabilitation hospitals and clinics that are focused on providing care to patients with gait disorders.

Opportunity / Need:

Every year hundreds of thousands of people in the United States lose their ability to walk, normally as a result of suffering a stroke, a traumatic brain injury, or a spinal cord injury. Patients suffering from gait disorder have difficulty walking due to physical and neurological impairments. The most common method of treating a gait disorder is by providing treadmill gait therapy to the patient. Patients receiving treadmill therapy are suspended in a body weight support device and are assisted through the gait motion by one of two methods: 1) a robotic device that drives the leg motion for the patient or 2) a manual process in which three physical therapists, one sitting on each side of the patient and one at the back of the patient that drive the leg motion of gait. Both of these processes are expensive and imperfect. The robotic devices are too expensive for clinical applications, at $250,000 per machine. The manual method is also costly as it typically requires three physical therapists. The strenuous nature of providing this method of therapy limits sessions to 10-20 minutes and increases the risk of repetitive use injuries to the therapist.

The Locomotion External Swing Assist (ESA) device is a novel solution to this market need. It is a disruptive technology that addresses a $115M annual market segment in the medical equipment market, growing at 15% annually. The ESA device reduces operational costs to hospitals by relieving the strenuous duties of the physical therapists, saving hospitals 60-80% of their current therapy variable costs, at a price that is 1/10th the cost of robotic devices currently available.

Product / Service

The ESA is a forward leg swing assistance device used during treadmill therapy that is positioned in the front of the treadmill. The patient starts by standing on the treadmill and is connected at the leg or the foot to the ESA device's cords. As the treadmill belt moves, it pulls the leg and cord back, building up tension in the ESA. When the patient's leg reaches the end of their gait, the cords engage the device, which then pulls the leg forward to assist with the patient's motion. The patient then places their foot back on the treadmill and the cycle begins again.

The force is provided by a spring mechanism housed in the ESA chassis and can be adjusted in magnitude and direction to suit the individual needs of the patient.

Locomotion's initial product will be a stand alone ESA model designed to integrate with current rehabilitation treadmills. Future Locomotion products will include an integrated ESA Treadmill and a Bodyweight Support device allowing Locomotion to provide a complete line of solutions for the rehabilitation market. Potential future products include additional device solutions in the rehabilitation hospital space as well as an ESA "Lite" device allowing patients to perform additional hours of rehabilitation in their home.

Target Market/Value Proposition

Locomotion's target market consists of: In-Patient Rehabilitation Hospitals, Out-Patient Rehabilitation Clinics and Assisted Living facilities in the U.S. There are 200 In-Patient Rehabilitation Hospitals, 4,000 Out-Patient Clinics, and 17,000 Assisted Living Facilities. Based on average patient beds the potential for ESA devices is 23,000 units.

The ESA device will remove the need for 2 physical therapists during therapy as well as increase the amount of therapy for the patient – allowing the hospital to increase revenue by

providing more therapy hours and increase profits by reducing therapy session costs by ~$100/hr.

Marketing

Market entry will focus on the In-Patient Rehabilitation Hospitals due to the high number of patients at the hospitals. Additionally, the leading hospitals carry significant community and industry respect. Therefore product placements and endorsements by these leading hospitals will establish Locomotion's reputation and brand in the market. Initial customer reaction has been very positive with unanimous consensus regarding the need for the device. Initial patient testing was successful, with the Head of Physical Therapy noting that "she [the patient] is doing better with this than when we help her."

The base ESA device will be priced at $25,000. The device will be marketed to both the hospital administrator and the physical therapist by promoting the operational cost savings, occupational injury prevention potential, and increased patient therapy time provided by the ESA. Primary marketing communications and branding will be developed through trade show appearances, trade magazine advertisements and website presence, all focusing on the key themes: innovation, customer focus and affordable solutions.

Distribution channels will focus on creating partnerships with non-competitive companies who are already selling into rehabilitation facilities. This channel strategy will leverage our distribution partners' contacts, allowing our team to close the sale.

Competitive Advantage

Locomotion's competition includes two manufacturers of robotic devices, a start up company developing a robotic step training device and many companies providing supporting rehabilitation equipment. Locomotion has significant initial competitive advantage in this space as we will have first mover advantage and IP protection (provisional patent application has been filed). Sustained competitive advantage will be maintained through Locomotion's use of resources – including Dr. Rodger Kram at the University of Colorado Locomotion Lab and a strong set of advisors. Locomotion will erect barriers to entry by building brand loyalty and strong customer relationships. Locomotion will also focus on additional IP protection strategies to reduce the likelihood of new entrants into the market.

Management

The current management team includes:

- **Geoffrey Snyder**, VP Operations, CEO – MBA (candidate), BS Mechanical Engineering with 12 years Operations/Quality experience including Medical Device Manufacturing.
- **Jeanine Lee**, VP Finance, Engineering – MBA (candidate), BS Systems Engineering with 7 years experience in IT Product Development and Private Equity Investments experience.

Financials/Funding

Locomotion is a growth company with revenues of $7.5M projected in Year 3 and $41.2M projected in Year 5. Gross profits are expected to grow from 16% in Year 1 to 67% in Year 5 with breakeven occurring in Year 3. Net Earnings are expected to grow from 8.9% in Year 3 to 19.7% in Year 5.

After a period of grant-funded research and prototype development, Locomotion plans to seek an A Round of equity funding for $700K, followed by a B Round of $1.1M in Year 2. Equity funding will be used for key management team recruitment, product development, marketing, and working capital requirements.

Company Overview

Introduction

Locomotion Inc was founded as an S-Corporation in October 2005 by Dr. Rodger Kram, a nationally renowned expert in gait research, and is located in Boulder, Colorado. The company is early-stage and will be converted to a C-corporation as ownership diversifies with additional funding.

Vision

To be the leading provider of specialized equipment that helps people improve their daily lives through physical rehabilitation.

Mission

At Locomotion Inc. our mission is to be a profitable, growth oriented physical rehabilitation device company providing superior customer products in the markets we choose to enter. We will achieve this by focusing on creating long-lasting relationships with hospitals and sales channel partners and solving the needs of the customer using simple, cost-reducing solutions.

Value Proposition

Allow hospitals to reduce costs and improve financial performance by providing cost-effective therapy solutions while providing patients with simple, effective and personally tailored rehabilitation programs that increase their recovery opportunities.

History and Current Status

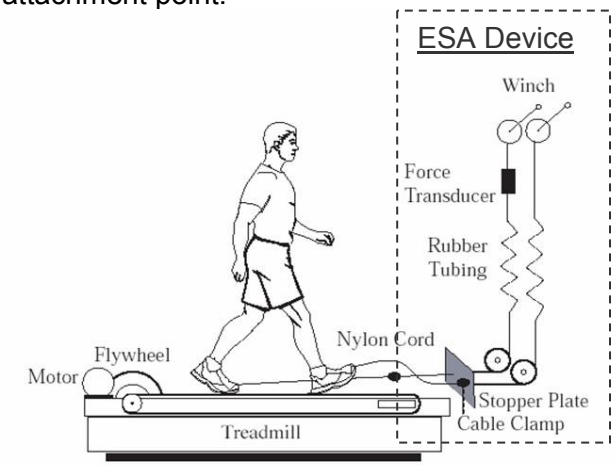
The ESA technology was developed in the Locomotion Laboratory at CU by Dr. Rodger Kram. The technology has a filed patent and is owned by the Technology Transfer Office (TTO) at the University of Colorado. The company currently has a third generation prototype. Initial patient testing was completed with positive results in November 2005 at Craig Hospital in Englewood, Colorado, a top ten Rehabilitation Hospital. After using our device on a patient, Sharron Blackburn, Head of Physical Therapy, said that the ESA required “a lot less effort by physical therapists.” Beta testing begins March 2006 at Craig Hospital utilizing a $10K TTO Proof of Concept grant. Locomotion has been awarded more than $51K in professional services after winning the CTEK/Seagate Colorado Entrepreneurship Competition in February 2006.

Objectives

Locomotion will be a growth company with high margins focusing on a rehabilitation line of products. The company’s focus is to commercialize the ESA prototype and expand the product mix with complementary products in the next 5 years. Locomotion expects to be well positioned by Year 5 for acquisition by a strategic buyer.

Product and Service

Locomotion's first product is the External Swing Assist (ESA) device. ESA is a physical rehabilitation device used during treadmill therapy for patients who have lost the ability to walk normally due to Traumatic Brain Injury, Spinal Cord Injury or Stroke. ESA is a novel solution in the industry – using spring technology attached to the patient's legs via unique fitment mechanisms to assist the patient in the return motion of the leg during therapy. ESA is a stand-alone device that works in conjunction with current industry treadmills and body-weight support devices, securely mounting in front of the treadmill during therapy. The ESA device is extremely adjustable – allowing each patient to receive customized and progressive therapy as they make improvements. ESA adjustability includes magnitude of force, direction of force and attachment point.



Current manual rehabilitation of patients relies on 3 physical therapists, one positioned on each side of a patient with one providing support at the patient's back. The therapists on each side of the patient physically move the patient's legs forward at the end of each stride during treadmill therapy. The patients are usually in a weight support device, reducing their full body weight from their legs during therapy, and the therapists are seated or crouched next to the patient to move his/her legs. This process is imperfect and extremely fatiguing for the therapists, with therapy sessions limited to 20-30 minutes due to therapist fatigue. The process is also expensive to hospitals as it requires 3 highly paid therapists. Locomotion's ESA device reduces the need for therapists to manually perform limb advancement for the patient by providing an external force that assists the patient with their forward leg swing.

By reducing the demands on therapists during gait rehabilitation therapy, the ESA enables rehabilitation hospitals and clinics to:

- Reduce therapy variable costs by 67%, improving profitability,
- Provide additional/extended therapy to patients – increasing revenue opportunities for the hospital and increasing recovery potential for the patient, and
- Reduce the risk of fatigue and repetitive use injuries to therapists

Table A

Feature	Benefit to Facility	Benefit to Therapist	Benefit to Patient
Leg Advancement Assistance	Therapist availability/cost	Reduce risk of injury and fatigue	Increased therapy opportunities
Integrates with existing equipment	Minimizes capital costs	Flexibility in therapy/equipment	N/A
Adjustable setup	Quick patient change-over	Easy patient to patient setup	Personalized therapy
Software driven GUI	Fast patient setup and change-over	Easy to operate	Personalized therapy

Market and Industry Analysis

Market Size & Growth

National health expenditures were $1.68 Trillion in 2003 and are expected to reach $3.6 Trillion by 2014, representing a 7.1% annual increase.[1] Locomotion will compete in the medical equipment market, which had expenditures in 2003 of $20.4 Billion in the U.S.[2] Revenue for medical equipment is estimated to increase 15% annually for the next five years, with 18% growth in the past 12 months.[3] Locomotion's market size and growth are comparable to the Patient Lift market which has a size of $170M, is growing at 14.9% annually, and is projected to reach $316M in 2010.[4] This sector is similar to the rehabilitation market in size and due to trends driving technology that reduces injuries to care givers.

There are three segments for treadmill rehabilitation patients: In-Patient Rehabilitation Hospitals, Out-Patient Rehabilitation Hospitals, and Assisted Living Facilities. These facilities treat patients needing gait therapy primarily due to traumatic brain injury, spinal injury, stroke, Parkinson's, multiple sclerosis, and elderly patients. Locomotion's annual market size is $115M with an expected 15% annual growth rate.

Trends

There are four primary trends favorable to rehabilitation devices market:

- **Demographics:** Demand for rehabilitation devices is increasing as the population base needing therapy increases. The population over 65 will approximately double in the next 25 years, with close to 70 million Americans being 65 years or older by 2030.[5] People are also living longer, with the average life expectancy increasing from 75.8 to 77.2 years from 1992 to 2002.[6]
  There are a growing number of people in the U.S. who suffer from neurological conditions requiring gait rehabilitation. There are 550,000 stroke survivors each year, with 76% of those people being 65 or older. There are 175,000 people that survive traumatic brain injuries each year in the U.S., with the number of total survivors ranging from 2.5 to 6.5 million.[7] There are 45,000 people living with incomplete spinal cord injuries with 2,000 new incomplete spinal cord injuries per year.
- **Demand for technology solutions in physical therapy:** Research shows that much of the brain's control of walking is linked to neural circuits located in the spinal cord and that spinal circuitry can be retrained to generate walking movements.[8] Current therapy is antiquated and depends on manual labor of therapists.
- **Shortage of physical therapists:** There is currently a shortage of 12,000 physical therapists in the U.S., with jobs in the field growing 28% by 2012.[9]
- **Industry appeal for treadmill rehabilitation:** Research indicates patients regain walking ability faster when treadmill rehabilitation is part of therapy.[10]
- **Third party payer:** Insurance companies are driving lower cost therapy options.

Target Market

The market includes In-Patient and Out-Patient Rehabilitation Hospitals and Assisted Living Facilities. Table B shows how many patients require treadmill therapy in each type of facility. The addressable market is $573M, with a 5-year device lifespan.

Table B

U.S. Market Size for Treadmill Rehabilitation Patients				
Market	**# of Facilities**	**# unit/Facility**	**# units**	**Total Market**
In-Patient Rehab Hospitals	200	10	2000	$50,000,000
Out-Patient Hospitals	3,900	1	3900	$97,500,000
Assisted Living	17,000	1	17000	$425,000,000
Total			**22900**	**$572,500,000**

The purchasing cycle is 6 to18 months, dependent on annual capital equipment budget cycles. Purchasing decisions are made by hospital executives, with recommendations from therapists. Word of mouth, referrals, and conference attendance are the primary methods to reach therapists and educate them on new products.

Our target market recognizes the need for a solution to the current manual therapy process. Personnel at Craig Hospital and Denver Children's Hospital are interested in ESA because it promises to solve the current need through an innovative and novel approach to treadmill therapy. Jim Carollo, PhD, Director of *Center for Gait and Movement Analysis*, Denver Children's Hospital, thinks that ESA is a "Simple, elegant approach [that] is ambitious and interesting."

Industry Structure

The industry is fragmented with many small, private companies providing therapy devices. Channels of distribution include: (i) direct sales, (ii) distributor dealers, and (iii) direct strategic partnerships. Most companies use a combination of these channels to penetrate the market. Direct sales is the most costly to establish, but does not require a distributor discount. Distributors are used to leverage industry contacts, but require 20-50% discounts. With a direct strategic partnership, a company's device has proprietary rights to distribute its product to an entire network of hospitals.

The most popular manufacturers of treadmill rehabilitation equipment are Biodex, Mobility Research and Woodway. These companies primarily use a direct sales force. Most others rely primarily on medical device distributors. AutoAmbulator is the only device distributed as a direct strategic partnership and is only distributed to HealthSouth's facilities.

Competitive Environment

The environment for treadmill rehabilitation is highly fragmented and consists of many small companies offering complementary devices, such as treadmills, and two companies providing high-end robotic devices. Table C shows an industry analysis and Locomotion's strategy to compete.

Table C

Industry Force	Industry	Locomotion's Strategy
Threat of Substitutes	Moderate Threat	-- Provide affordable limb advancement system complementing current products
Competitor Reaction	Moderate Reaction - due to many small players	-- First mover advantage of low cost limb advancement therapy
Supplier Power	Moderate Power - due to low volumes	-- Simple design components
Customer Power	High-Moderate Power - due to purchasing influence	-- Customer focus -- Industry cost-savings endorsement
Barriers to Entry	Strong barriers - due to distribution and customer loyalty	-- Protect IP -- Market benefits to customer -- Establish relationships with distributors to gain access to channels -- FDA registration -- Overcome loyalty with cost-savings

Competition

There is no direct competition for an affordable limb advancement device, but there are several complementary devices and indirect competitors. This includes treadmills, body weight support systems, and body movement software. See Appendix 2 for full Competitor Matrix.

- **Biodex:** Private U.S. company with $47M revenue. They provide rehabilitation treadmills and body weight support systems.
- **HealthSouth:** Public company and largest provider of ambulatory surgery and rehabilitative health care services in the U.S, with $4B revenue and 40K employees. Their walking rehabilitation device is the AutoAmbulator, a fully robotic gait disorder rehabilitation device, and is offered only at their network hospitals.
- **Hocoma:** Privately held corporation in Switzerland formed in 1996 with 30 employees. They are research focused and sell the Lokomat, which is a complex fully robotic gait disorder system.
- **Mobility Research**: Small, private U.S. company. Their products include body weight support systems and rehabilitation treadmills.
- **Robomedica:** Small, private startup company out of UCLA rehabilitation research lab. They offer a high-end treadmill and body weight support system, and are currently researching a new Robotic Step Training Device.
- **Woodway:** Mid-sized private company which started in Germany. They provide a lot of rehabilitation equipment including treadmills and body weight support systems.

Opportunity

Locomotion's ESA is an affordable limb advancement system for treadmill rehabilitation that will save rehabilitation hospitals 60-80% of their current therapy variable costs. Additionally ESA will provide reduced risk of therapist injury and will allow hospitals to achieve their missions of increased therapy opportunities to patients. The annual market potential is $115M with 15% annual growth due to market trends including: growing patient populations, shortages of therapists, and increased demand for technology in rehabilitation, and 3rd Party reimbursement cost pressures.

Locomotion's competitive advantages include IP protection, Dr. Kram's research, and relationships with thought leaders in rehabilitation therapies. Current relationships include therapists and executives at Craig Hospital and The Children's Hospital of Denver sitting on our Board of Advisors. We will have first mover advantage with a disruptive technology in limb advancement during treadmill therapy. ESA technology is 1/10th the cost of robotic solutions and promises to improve independence and mobility of patients affected by gait disorders.

Marketing Plan

Customer Research

We developed two different customer surveys for practicing physical therapists and hospital administration/executives. These surveys were focused on issues relevant to each group. The conclusions are listed below.

Conclusions

- **Recognition of need:** Every therapist and hospital executive recognized a need to increase mobility and independence of patients. Patients view mobility as their primary rehabilitation need, even above communication. The need to reduce the cost of gait rehabilitation therapy was widely recognized. The current manual model of limb advancement requires the rehabilitation to be performed at a loss since the hospitals are not able to get full reimbursement for three therapists. Lastly, the need to provide limb advancement without the constraints of available robotic methods is recognized by therapists and administrators including Dr. Jim Carollo the Director of the *Center for Gait Movement and Analysis* at The Children's Hospital of Denver. He said the product has an advantage over robotic methods because it is "simple and not as constrained, it gives the nervous system some plasticity."
- **Features**: ESA needs to provide integration with current treadmills & body weight support systems on the market. This allows customers to easily add the new method of therapy without large capital expense. It also will be easily adjustable to reduce patient setup time and facilitate customized rehabilitation. Additionally, ESA will display force, session time and other variables for a quantitative approach to rehabilitation.
- **Price**: Customers have 3 categories of expenditures. Table D shows the different categories of equipment broken down by level of spending.

Table D

Hospital Medical Equipment Purchasing Process (Typical)

Purchase Category	Equipment Cost	Approval Authority	Time Required
Minor Equipment	$2,500 - $5,000	Department Head	Instant
Capital Equipment	$5,000 - $50,000	Executive	Annual Capital Budget
Major Capital Equipment	$50,000 +	Senior Executive	Annual Capital Budget

Target Market Strategy

Target Market

In-Patient Rehabilitation Hospitals (IRF)

This segment has the largest patient load for gait rehabilitation therapy and also has the most to gain from purchasing the ESA. Medicare will only reimburse $24.50 for each 15 minutes of therapy regardless of how much it costs the hospital to provide. IRFs are early adopters of new technology and leaders in research. Strategically, high profile regional hospitals will be able to provide industry endorsements and lend legitimacy to our product for sales into other segments. This will be the entry point for our market in Year 1.

Out-Patient Hospitals/Clinics

This segment does not have as much gait rehabilitation per location; however it is a natural expansion of the IRF market. This segment will not adopt new technology as soon as the IRFs.

Due to this we will not begin selling to this segment until Year 2, when we have customer reference from the IRF market.

Assisted Living Facilities
This is a complementary segment to the In-Patient and Out-Patient markets as individuals being treated at those facilities often move into Assisted Living Facilities for additional treatment. Because the ESA is less expensive than current therapy options, we will sell deeper in to this market by selling to a broader market of smaller facilities. We will begin moving into this segment in Year 3 after we have achieved solid penetration and developed credible references in the previous segments.

Buying Decision

Process
Therapists are made aware of new equipment through recommendation by other therapists, advertising in journals or seeing the product at an industry trade show. If the therapist determines the equipment would help them provide better therapy to the patient then they will approach the administrators to buy the equipment. The buying decision is ultimately made by the administrators based upon the therapist's recommendation. Administrators occasionally buy equipment that is not recommended by the therapist. If the administrator cannot authorize the purchase then they must evaluate the equipment and attempt to get capital budgeting approval.

Strategy
Locomotion will first appeal to physical therapists by demonstrating that ESA increases mobility and independence of patients, reduces therapist injury risk and eliminates the manual process of current therapy. Locomotion will obtain endorsements through strategic partnerships with leading rehabilitation hospitals. We will set up quality systems in the beginning of Year 1 to then be able to register the ESA as a FDA Class 1 medical device.

Locomotion will concurrently show hospital administrators how ESA provides cost savings, increases revenue opportunities by allowing more billable therapy, and reduces potential risk of worker compensation claims. With therapist support, we will then demonstrate operational and financial benefits to administrators to penetrate facilities buying process.

Pricing Strategy

Value
Our pricing strategy is based on financial benefits to facilities and better therapy to patients. ESA can save hospitals $720 - $1,440 per day depending on use. See Appendix 6 for full breakdown of cost savings.

Buying constraints
Table D shows the three ranges for equipment expenditures. If ESA fits within the minor equipment category it would allow near instant purchase from a lower level administrator. However, that would require reducing the cost of the device to below $5,000. It would be extremely difficult to reduce cost of goods to a low enough level to be profitable. Capital expenditures over $5,000 typically require inclusion in the annual capital budgeting cycle and executive approval. Approvals for expenditures in excess of $50,000 are extremely difficult to get approved due to a highly competitive approval process. Therefore we are focusing on the capital equipment range of $5,000 - $50,000 for the ESA device.

Psychological
There is a psychological component to the equipment purchase process. Therapists are more comfortable and willing to recommend equipment on the lower end of the scale due to the decreased political risk involved. Locomotion recognizes it is important that therapists perceive value in the ESA device as it is critical to have the therapists recommend the device to the

administration. Customers have expressed comfort with pricing of $20,000 - $30,000 for a device of this nature.

Pricing
Locomotion has set a price point of $25,000 on the initial product for these reasons and the prices set by the competitors. Table E shows the pricing of locomotion devices and how they are compared to competitor's offerings.

Table E

Competitors	Treadmills	Bodyweight Support System	Limb Advance Assistance	Robotic Limb Control
Mobility Research	$4.5k	$10k	N/A	N/A
Biodex	$10k*	$15k	N/A	N/A
Woodway	$12k	$35k	N/A	N/A
Robomedica	N/A	$75k*	N/A	**
Hocoma	N/A	$75k*	N/A	$175k
HealthSouth	N/A	N/A	N/A	$250k
Locomotion	N/A	***$25k***	***$25k***	N/A

* Treadmill included
** In Development

Channel Strategy

Locomotion will form strategic partnerships with rehabilitation hospital networks, comparable industry companies and complementary product companies as distribution partners. These partners already have a large network of customers to generate interest and potential leads. Locomotion sales staff will assist partners in closing sales.

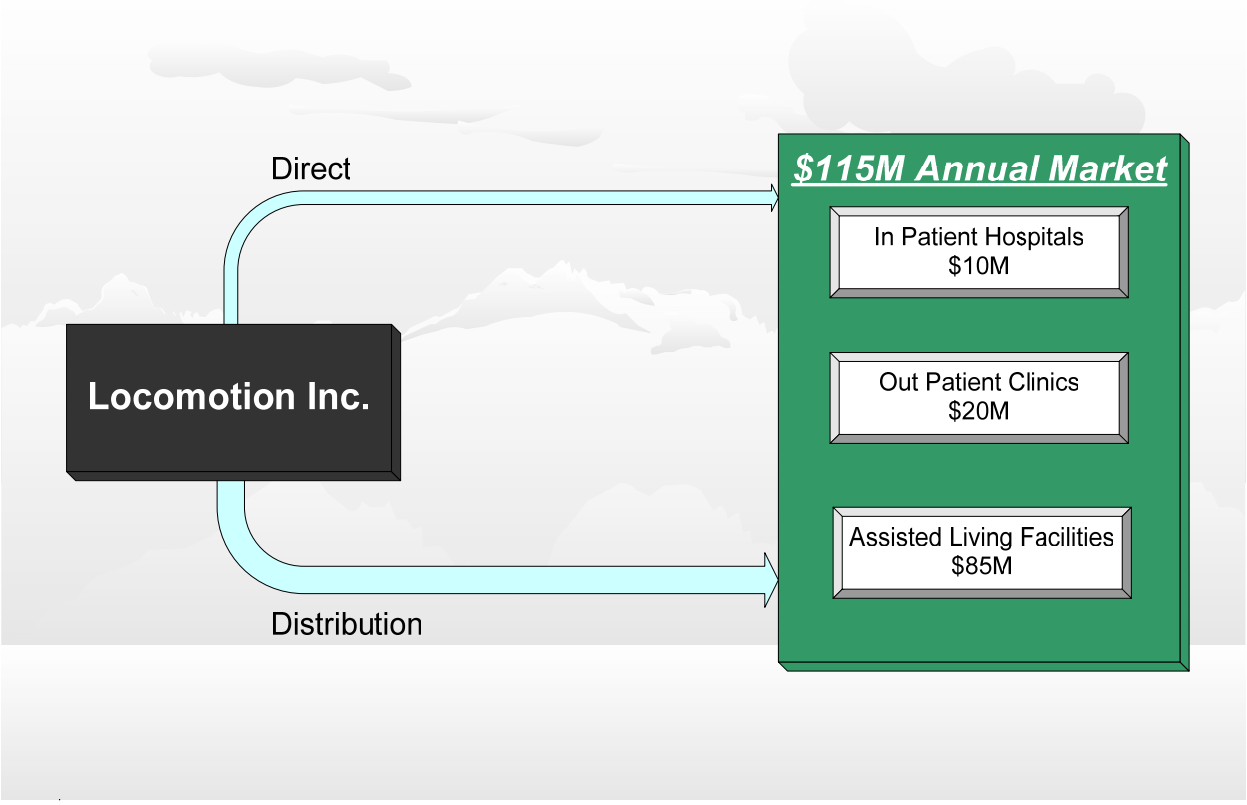
Rehabilitation Hospital Networks
Rehabilitation hospital networks own or manage rehabilitation hospitals and outsourced rehabilitation units within other hospitals. Potential partners include Rehab Care Group, Kindred Health Care, Select Medical Group, and Tenet Health Care. We expect our partner hospitals to require a 50% discount in Year 1, and a 15% discount in subsequent years.

Comparable Industry Companies
Comparable industry companies sell and distribute products in the same target market but the products are not complementary with the ESA. Comparable products include patient lifts, wheelchairs and parallel bars. Potential partners include Liko and Sunrise Medical. We expect these distributors to require a 25% commission.

Complementary Product Companies
These companies provide gait rehabilitation equipment such as treadmills, body weight support systems and gait analysis software. These companies represent current and potential future competitors of Locomotion. Potential partners include Mobility Research, Biodex and Woodway. These partnerships could be difficult to form but are valuable as these companies already possess relationships with the customers Locomotion's target customers. We expect these distributors to require a 35% commission.

Table F shows the channel strategy and how Locomotion will distribute ESA.

Table F

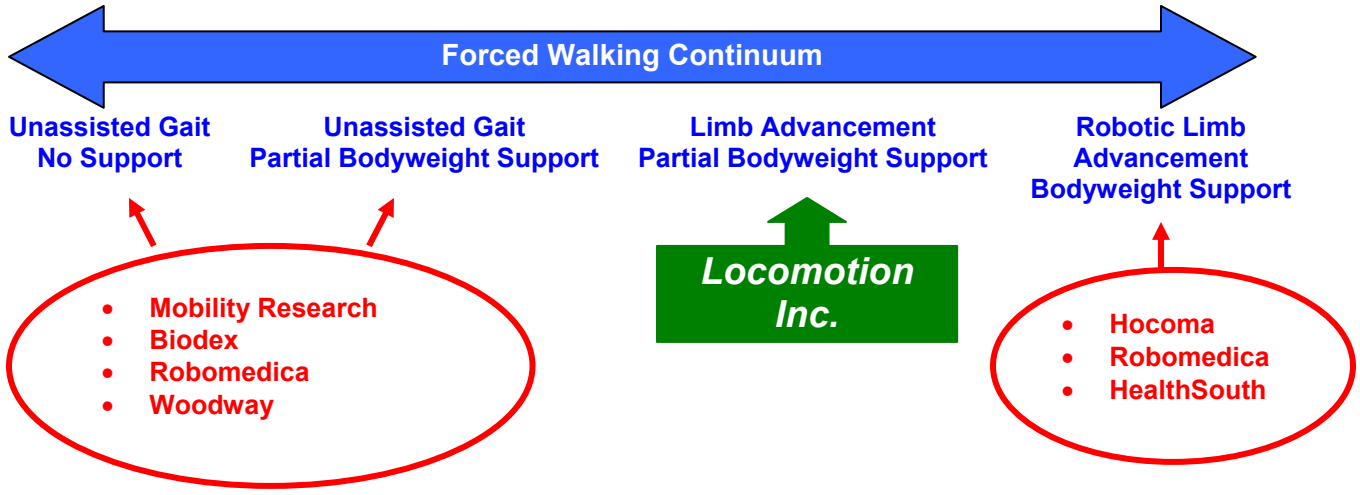


Positioning

ESA provides freedom and improves quality of life with an elegant, simple and economical solution for the gait rehabilitation market. ESA is an innovative approach solving the key problems with current manual gait therapy methods with an order of magnitude savings when compared to robotics solutions. Locomotion is focused on providing disruptive technology solutions that meet the needs of therapists and administrators in the rehabilitation market.

This position is represented in the continuum shown in Table G. There are currently no companies or products addressing limb advancement using non-robotic methods.

Table G



Product/Service Strategy

Future Products & Markets

Future products will include an integrated ESA Treadmill and a Bodyweight Support device, launched in Years 3 and 4, respectively. Additional potential future products include an ESA "Lite" device allowing patients to perform additional hours of rehabilitation in their home. This is a natural extension for patients who have used Locomotion's products in facilities and therapists could prescribe continued therapy at home. Home-use is a favorable market because ESA "Lite" would be reimbursed as Medical Durable Equipment and extends recovery to patients. Strategically, it is critical to achieve industry acceptance by facilities before the home-use market can be penetrated.

Future markets also include Europe and Canada. These markets are favorable because the socialized health care market has a strong focus on patient care and a progressive view of using adopting new technologies.

E-Commerce

Locomotion will have a website for direct sales, branding, promotion and support across all channels of distribution. The website will provide information about the company including history, vision, mission, value proposition, and management. The site will also be an important tool where customers can obtain information about contacting support, ordering consumable parts, and explanation of warranty. Although we will not have a direct sales force, the site can be used to buy our products. The website will also link directly to strategic partners and rehabilitation research. Visits to the site will be driven through marketing materials and advertising through the major search engines.

Installation Support

Installation and onsite training will be provided to integrate our products with a facility's lay-out and to demonstrate operation of the device and features. We will provide this installation and training support for both trial periods and purchases. After installation and training, customer service will be available by phone 6am – 11pm 7 days a week for questions or problem reporting.

Repairs & Warranties

Warranties will be provided for 2 years after purchase and onsite repair will occur within 3 business days by Locomotion's customer service under warranty. Easily replaced consumable wear items, such as patentable special cords, will be replaceable by the customer. This reduces down time and lowers cost of owning equipment. Large equipment failure will be covered by warranty and repaired by our customer service staff. The warranties will also include annual servicing of the equipment. Additional service contracts can be purchased after the warranty expires.

Strategy Risks

- **Capital expenditure cycle**: There is a long capital expenditures cycle. We are reducing this risk by pricing our products in the mid-range of equipment purchases.
- **Relationships**: Building relationship is the medical industry is difficult and we plan to mitigate this risk by building strategic partnerships with distributors.

Communications Strategy

The primary communication methods of our marketing team will include: APTA trade shows, conferences, targeted publications, and direct marketing to key rehabilitation facilities. Materials will include brochures, prototypes and website marketing. Media advertising will be through Physical Therapy magazines and other specialty rehabilitation publications. Leads generated by marketing will pursued by our distributors and sales team. Messages communicated include: innovation, simplicity, freedom, enhanced therapy, customer focus, and affordability.

Sales Strategy

Our sales team will close deals initiated through our direct sales and comparable industry distribution partners. Leads will be generated through our direct relationships with key hospitals, our marketing team, and comparable industry distribution partners. For these sales, Locomotion will handle installation, customer service, and warranty issues. For sales generated through complementary company distributors, we expect them to already have their own sales force to close the deal and provide installation and customer service.

Our team will possess experience selling to our target market. Compensation will be base salary, commissions and stock options. Eventually commissions will be the primary method of compensation as the company becomes cash flow positive and sales increase.

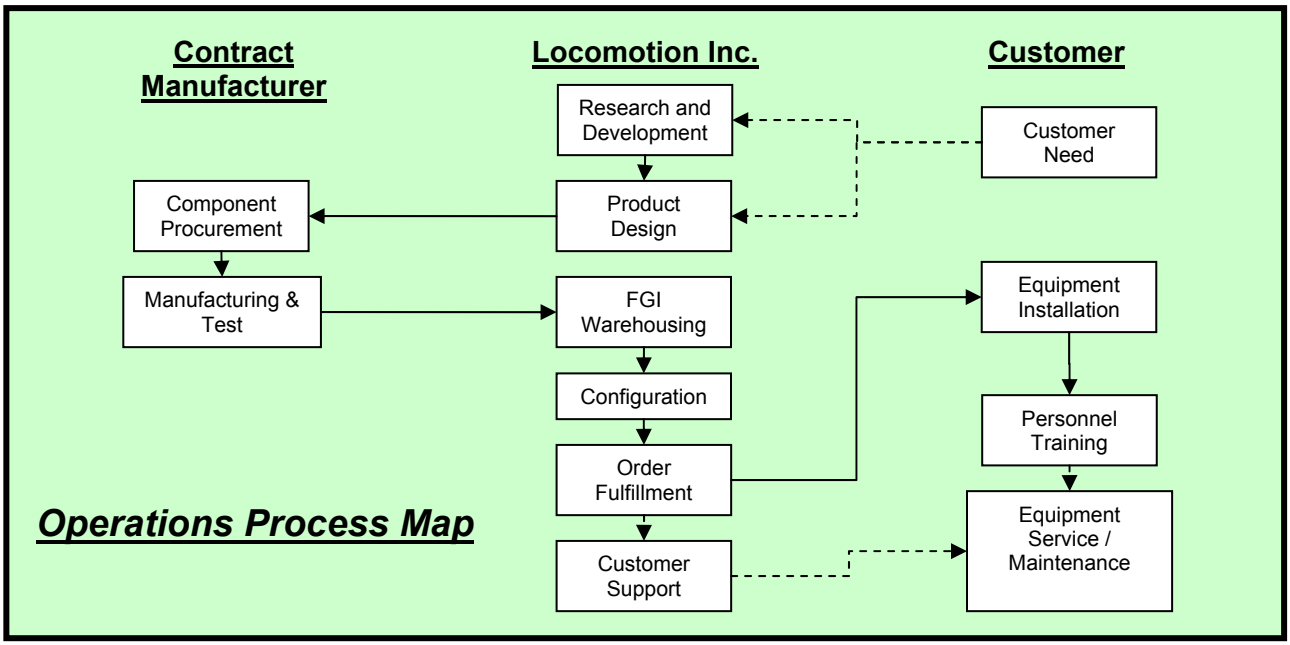
Revenue Model

Locomotion's standalone ESA product will be the only product offered in Year 1. We expect to sell 25 units in Year 1 resulting in $378K revenue. Beginning in Years 3 and 4, we will introduce the integrated ESA & Treadmill and Bodyweight Support device, respectively. Total revenue in Year 3 is $7.5M, with 350 units sold. Total revenue in Year 5 is $41.2M, with 1,860 units sold. Each year, we expect the majority of sales to come through our distribution partners, then the next level of sales from our hospital partnerships, and the least amount of sales generated from direct sales. See Appendix 5 for complete revenue summary.

Operations Strategy

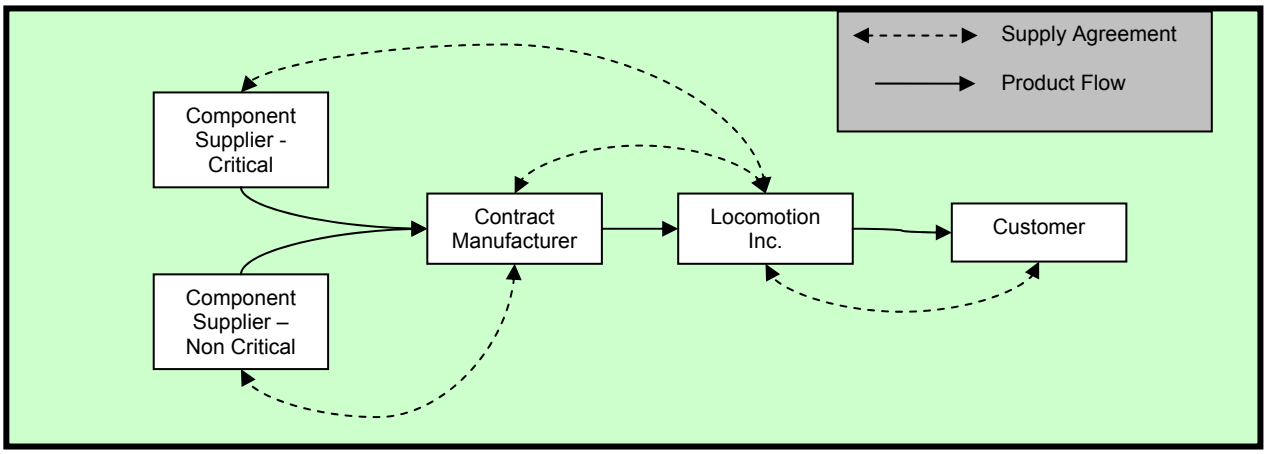
The process of converting raw materials into an ESA device at Locomotion Inc. begins at the customer's facility where Sales and Marketing and Engineering personnel determine the needs of the customer directly. Requirements are brought back to Locomotion for product design – a significant portion of which will be outsourced to specialized engineering and design firms. In Year 1, manufacturing will occur in-house. Thereafter, as unit volumes are high enough, manufacturing and procurement will be outsourced to contract manufacturing organizations specializing in providing turnkey manufacturing services, including process development, materials procurement, manufacturing/assembly, test, packaging, and shipping of the final unit to Locomotion's facility. See Operations Process Map in Table H.

Table H



Locomotion will retain control of critical strategic supply sources including contract manufacturers and select component manufacturers via purchase agreements between the key supplier and Locomotion as shown in the Supply Chain Analysis (Table I). By having direct relationships with critical suppliers, Locomotion ensures that supply sources and prices of critical parts are closely managed.

Table I



Complete assemblies will be shipped to Locomotion's facility in the Boulder, Colorado area from the contract manufacturer. Final product configurations will occur at Locomotion prior to shipment to the customer. Locomotion plans to structure operations using a built to order strategy to minimize inventory costs and associated risks. Expected order fulfillment cycle time is expected to be 6 weeks during the first year of operations and reduce to 4 weeks by Year 3.

A two year warranty on assembly/product defects will be offered on all units sold. Designed wear and service items (treadmill belts, leg/foot attachments, elastic spring cords) are not covered by warranty and orders for such items will be fulfilled from the Locomotion warehouse. Fixed price annual maintenance and service contracts will be offered for customers who desire warranty-like service on their device after 2 years.

Strategic Differentiation

Locomotion will employ a Best Total Solution approach toward strategic differentiation of our operations, as defined by Treacy and Wiersema in "The Discipline of Market Leaders". This model places the customer at the center of the organization and focuses on a structure that best serves their unique needs. The result is an organizational structure that is focused on supporting a flexible sales and marketing group and has core processes that support solutions development for the customer while maintaining competitive parity levels of product design and operational efficiency. Locomotion's management systems will focus on the Sales and Marketing groups' ability to quickly provide customer solutions by setting up horizontal teams around specific customer service groups. Locomotion will also focus on flexibility for the customer by designing a universal cartridge based ESA system that can be used with all of the leading rehabilitation treadmills by being configured with a unique adapter mechanism.

Scope of Operations

Internal Processes

A key objection of Locomotion is to minimize fixed expenses in the early years of operations; thus many functions – from design to manufacturing – will be outsourced. Sales and Marketing are critical in achieving the strategic vision of the organization; therefore they will remain internal to the organization, as will other critical functions such as supply chain management, quality assurance, and final distribution. All key management functions will be internal to the organization. Customer Service functions will be internal and respond to both technical phone/email support as well as on-site issues of installations, training, maintenance and service calls.

Outsourced Processes

As discussed above, key processes such as product design and supply/manufacturing will be outsourced. Additional processes will be outsourced when prudent to minimize fixed costs to the company.

Ongoing Operations

Key Relationships

Locomotion is currently in the very early phases of start up and as a result no official key relationships have been formed. An unofficial relationship exists between Locomotion and Craig Hospital as well as a new relationship with The Children's Hospital of Denver. Potential relationships exist with a number of organization types:

Table J

Hospitals	Contract Manufacturers	Distribution Partners
Craig Hospital	Delphi Medical Systems	Biodex
Denver Children's Hospital	Byers Peak	Woodway
Research Institute of Chicago		Mobility Research
Rehab Care Group		

Production Capacity

Table K

Production	Year 1	Year 2	Year 3	Year 4	Year 5
Unit Volume					
Annual	25	106	353	903	1,855
Monthly	2	9	29	75	155
Weekly	0.5	2	7	17	36
Production Source	Internal	Outsource	Outsource	Outsource	Outsource

Facility

Facility requirements will change as Locomotion grows, however mixed office/warehouse/R&D space will be required in all cases to house Locomotion functions. Initial facility size is 2k ft^2, moving to 15k ft^2 facility in Year 3 and a 40k ft^2 facility in Year 5. The facility will remain in the Boulder area – providing easy access to resources at the University of Colorado.

Capital Investments

Capital asset investments will be minimized, through outsourcing of operations, leasing agreements and materials strategy. A build to order plan will be used to minimize inventories in addition to the use of debt vehicles described in the **Financial Plan** section to lessen the impact of long standard industry receivables cycles.

Manpower

Table L

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Personnel	4	14	33	55	98

Early employees will primarily be Sales & Marketing, Operations, and Customer Service personnel who will provide coverage of most critical internal functions with key individual contributors.

Development Plan

Funding

Locomotion expects to obtain a mix of grants and equity funding. Possible sources include grants from governmental sources: NIH, NIDRR & VA, University of Colorado Technology Transfer Office Proof of Concept and Foundations. Funding by grants could include $100,000 – $750,000. Grants will be applied for in the first half of 2006. Grant funding will be used for patient testing, prototype development, acquiring facilities, gaining industry contacts, and product specification development. Additional funding will be from equity investments. Primary uses of equity investments will be marketing, final product design, purchase of materials for Year 1 production, and salaries.

Patent Filing

The University of Colorado Technology Transfer Office must complete full patent application filing by April of 2006 to follow up on the provisional patent application filed April 2005. Based on research by TTO, they are confident we can protect the claims of the provisional patent application and apply for the full patent by April 2006.

Patient Testing & Prototype Development

We will continue initial patient testing with Craig Hospital. Initial patient testing was successful, with the Head of Physical Therapy noting that "she [the patient] is doing better with this [Locomotion's device] than when we help her." Expected results of further testing are indications that ESA improves therapy to patients and reduces the number of therapists needed to provide therapy. Testing will also help identify key features to further refine the prototype for final product development. Testing will be expanded to other key hospital partners as funding is obtained.

FDA Registration

FDA registration is not required before sale of product, but will help with industry endorsement and gaining customer loyalty. During prototype and product development, Locomotion will begin creating and documenting necessary information setting up FDA quality systems. These quality systems are necessary for FDA registration as a Class 1 medical device. We expect the quality systems to take a year to setup and final FDA registration to take two months.

Marketing & Sales

Locomotion will begin the marketing and sales functions upon funding. Early activities include establishing contacts with hospitals and distributors, attending conferences and trade shows, advertising in physical therapy & APTA magazines and formalizing future marketing strategy.

Relationships & Partnerships

Locomotion will expand our hospital relationships for additional prototype testing and product development. Locomotion will begin developing distribution partnership agreements with comparable industry companies and complementary product companies. The process of developing hospital relationships and distribution partnership agreements will continue as we increase sales and product introductions.

Key Hires

Key hires in Year 1 will include CEO, VP of Operations and VP Sales & Marketing. Key hires in Year 2 will include Marketing and Development managers. Personnel for research, installation, training, repair, customer service, and manufacturing will grow as necessary with sales.

Management Plan

Management Team

The current management team consists of Jeanine Lee and Geoffrey Snyder. Resumes are attached in Appendix 3.

- **Geoffrey Snyder**, VP Operations, CEO – MBA (candidate), BS Mechanical Engineering with 12 years operations/quality experience including medical device manufacturing.
- **Jeanine Lee**, VP Finance, Engineering – MBA (candidate), BS Systems Engineering with 7 years experience in IT Product Development and Private Equity Investments experience.

The current management team will build the company until such time that it is appropriate to recruit a more experience executive team that has industry experience commensurate to executing Locomotion's business plan. Stock options and equity will attract and retain key management.

Board of Advisors

The following are members of Locomotion's Board of Advisors. See Appendix 4 for full Biographies.

- Jim Carollo, PhD- Director of the *Center for Gait and Movement Analysis* (CGMA) at The Children's Hospital in Denver
- George Deriso – serial entrepreneur & CEO of technology companies
- Mark Feuer – serial entrepreneur & CEO in the medical device industry
- Rodger Kram, PhD – ESA Inventor, Founder and President of Locomotion Inc., Director of CU Locomotion Laboratory
- Bobbie Lutz, M.S. - Program Specialist and lead physical therapist at the *Center for Gait and Movement Analysis* (CGMA) at The Children's Hospital in Denver
- Steve Smith – Former General Counsel of StorageTek, former General Counsel and CFO of Exabyte

Board of Directors

The current Board of Directors will include three members, consisting of one for the inventor, one representing the management team, and one elected from the Board of the Advisors. Board seats are expected to be restructured after funding and/or further management is obtained. It is expected the Board will include five members post-funding. The five seats will include one for the management team, one for the inventor, one elected industry expert, and two for the investors.

Competitive Advantage

Intellectual Property (IP)

Locomotion currently has a Provisional Patent Application filed by the University of Colorado Technology Transfer Office for the ESA device. They are confident that a patent can be issued protecting the device based on their prior arts research. Although this does not ensure any protection on the method or application, we plan to proceed with the device patent application by April of 2006. Locomotion also plans to patent additional novel aspects of the ESA product, components and applications if they are developed while bringing the product to market. Locomotion will also patent future products to build a patent portfolio to protect IP.

Connection to University of Colorado

Our connection to the university through the Locomotion Laboratory and the Technology Transfer Office will be utilized to provide future product development, management support, industry contacts and ongoing research in gait analysis.

Relationships/Partnerships

Developing current relationships with market leading hospitals into formal partnerships will provide a significant competitive advantage. Locomotion has developed a relationship with Craig Hospital, a leading spinal & brain injury rehabilitation hospital. This relationship has included several visits to the hospital to demonstrate the prototype, gather feedback from therapists, and to perform initial testing with patients in a clinical setting. Locomotion has also developed a relationship with The Children's Hospital of Denver where the Director and Program specialist for *Center for Gait and Movement Analysis* are on Locomotion's Board of Advisors. We expect to turn these relationships into partnerships which would include significant discounts on initial ESA units for the hospitals in exchange for product development, patient therapy data collection, industry referrals/endorsements and case study data for marketing materials.

Locomotion also plans to develop sustainable competitive advantage through partnerships with comparable industry and complementary product companies. These partners will provide sales and distribution channels allowing Locomotion to grow without developing a costly direct sales force. These partners will be able to grow their product offerings and obtain additional revenue without capital investments in R&D and with reduced lead time by leveraging their industry contacts and existing sales force. Partnership may include investment by a strategic partner as part of initial funding but is not expected or included in the funding and financials. Potential partners will not be contacted until technology is further developed and product is closer to market.

First Mover Advantage

ESA device is a disruptive technology in that it provides affordable and accessible limb advancement treadmill therapy. The device is available to the market at $1/10^{th}$ the price of existing limb advancement (robotic) devices and eliminates much of the cost and risk of current manual therapy techniques. Being first to market is an important initial competitive advantage.

Branding

Product branding and word of mouth reference by therapists can become an important and powerful tool for sales & marketing. Locomotion will achieve this through advertising, presence at trade shows, leading hospital endorsements and good business practices.

Customer Relationships

Our partnerships with key hospitals will form the basis for our customer relationship strategy. We will build a barrier of entry by establishing customer loyalty and industry endorsement from our hospital partnerships.

Competitive advantage Risks

- **IP**: There is risk in protecting our patent and to mitigate this, we plan to conduct further prior arts research with the help of the Technology Transfer Office prior to the April 2006 full patent application.
- **First Mover**: This is not sustainable by itself. We plan to use this temporary advantage to build sustainable advantages through IP, partnerships, relationships and branding.
- **Relationships/Partnerships**: Relationships are difficult and time consuming to form and may take longer than planned. There is also a risk that we will be unable to leverage these relationships into strategic partnerships. We are mitigating those risks by forming relationships now. We are also attempting to bring strategic partners into the business through our Board of Advisors and involve them in the prototype development.
- **Branding**: It may take longer than planned to establish our brand and generate buzz among physical therapists. We plan to mitigate this by beginning our marketing efforts early in the product and prototype development.
- **Customer Relationships**: Our strategic differentiation model of customer intimacy could prove costly and difficult to manage. We plan to outsource product design to an experienced engineering design firm with a history of designing robust products. This will reduce product failure and reduce the opportunity to have an unsatisfied customer.

Financial Plan

Summary

Locomotion Inc.
Years 1 to 5

	Year 1	Year 2	Year 3	Year 4	Year 5
Summary Financials ($)					
Revenue	$ 378,000	$ 2,129,225	$ 7,529,283	$ 19,681,986	$ 41,208,126
Gross Profit	$ 75,088	$ 1,207,903	$ 4,721,731	$ 12,781,054	$ 27,521,210
EBIT	$ (387,179)	$ (527,478)	$ 781,343	$ 5,417,702	$ 13,514,649
EBITDA	$ (367,560)	$ (465,954)	$ 933,105	$ 5,733,940	$ 14,158,268
Net Earnings	$ (397,461)	$ (565,804)	$ 668,403	$ 3,279,997	$ 8,108,789
Net Cash from Operating Activities	$ (658,469)	$ (1,011,466)	$ (575,514)	$ 465,591	$ 3,764,513
Capital Expenditures	$ 60,000	$ 140,000	$ 305,000	$ 620,000	$ 1,240,000
Interest Income/(Expense)	$ (10,282)	$ (38,326)	$ (112,939)	$ (147,615)	$ -
Dividends	$ -	$ -	$ -	$ -	$ -
Cash	$ 184,347	$ 413,325	$ 278,944	$ 471,291	$ 1,519,655
Total Equity	$ (297,461)	$ (863,265)	$ (194,861)	$ 3,085,136	$ 11,193,925
Total Long Term Debt	$ -	$ -	$ -	$ -	$ -
Growth					
Revenue Growth Rate - CAGR:		463%	254%	161%	109%
Net Earnings Growth Rate - CAGR:		42.4%	Nil	390.7%	147.2%
Ratios					
Current Ratio	3.2	2.4	1.7	2.3	4.2
Debt to Capital (LT Debt + Equity)	0.0	0.0	0.0	0.0	0.0
Profitability					
Gross Profit %	19.9%	56.7%	62.7%	64.9%	66.8%
Operating Expenses %	106.4%	72.1%	45.7%	31.0%	28.5%
Net Earnings %	-105.1%	-26.6%	8.9%	16.7%	19.7%
Returns					
Return on Assets	-70.1%	-37.4%	19.6%	40.3%	48.5%
Return on Equity	-98.7%	-60.4%	41.6%	67.1%	62.4%
Return on Capital (LT Debt + Equity)	-98.7%	-60.4%	41.6%	67.1%	62.4%

Key Assumptions

- **Product Pricing and Mix:** Price and product introduction are two key drivers of revenue projections. In Year 1, the ESA will be offered for $25,000. In Year 3, an integrated Treadmill/ESA device will be offered for $35,000. In Year 4, a partial Bodyweight Support System (BWSS) will be offered, priced at $25,000. Also a complete integrated ESA/Treadmill/BWSS will be offered for $49,000.

- **Sales Volumes:** There are three target markets – In Patient Rehabilitation, Out Patient Rehabilitation, and Assisted Living Facilities. The majority of sales come from In Patient Facilities as the number of potential devices has the greatest concentration here. Sales volumes are outlined in the financial summary above, showing sales growth from 25 units in Year 1 to 353 units in Year 3, representing 0.6% and 6.0% of the market. Sales in Year 5 are 1,855 for a total annual market share of 23%.

- **Discounts:** Sales channels include comparable and complementary product distributors, direct partnerships with leading hospitals, and some direct sales. Primary source of sales

will be through distribution agreements requiring 25-30%. Secondary source of sales will be direct partnership with hospitals requiring 15% discounts. Direct sales will be our third source of sales, with minimal sales generation due to our strategy of avoiding a large sales force build up. Year 1 revenues are significantly impacted by a strategy of offering significant (50%) discounts to early hospital partners who agree to act as beta sites, collecting critical product and patient data for Locomotion as well as acting as product endorsers and references for future Locomotion customers.

- **Net Working Capital:** Net working capital as % of revenue starts at 46% and moves in line with the industry to be 25% by Year 5. Accounts Receivable (AR) will be 33% of revenue in Year 1, representing 119 days outstanding. By Year 5, AR will be 25% of revenue representing 90 days outstanding, slightly higher than the industry norm. Since AR are based on purchases from large hospitals, Locomotion will obtain short-term debt in the form of a revolving line-of-credit ranging from 50-60% of AR with the AR as collateral. Interest is expected to be 10%, but this debt will alleviate cash being held in AR and mitigate the impact of required working capital. Short-term debt will be reduced upon positive cash flow operating conditions.

- **Low Volume Production:** Low volumes in the early years will drive additional cost of revenues in the form of higher component costs, high inventories and large tooling cost allocations per unit. These impacts are reduced as volumes increase.

Risks

- **Marketing Strategy Execution:** The ESA product is a disruptive technology in the limb advancement space of treadmill therapy providing affordable limb assistance. Therefore, marketing and sales execution is a risk in that customers need to (i) learn about the ESA and (ii) be persuaded to switch to a new product involving new capital expenditures. Our marketing must convince therapists that ESA has the potential to provide better therapy and reduce therapist injury and then convince executives it will reduce resources and increase therapy time. To overcome this risk, we will obtain direct partnerships with leading hospitals and leverage contacts of our distributors to sell product. We already have a direct relationship with Craig Hospital and plan to contact distributors during product development.

- **Device Efficacy:** There is risk in validating that the ESA provides patients better rehabilitation, eliminates therapist fatigue and reduces the number of therapists needed. However, Craig Hospital, a top 10 Rehabilitation Hospital, has conducted initial patient tests with positive results. Further clinical trials will be conducted to establish evidentiary research that the ESA provides improved therapy with fewer therapists.

- **Sales Cycle Length:** A 6-18 month sales cycle is a risk and mitigated by pricing our products below major capital expenditures ($50K). A long cash conversion cycle is also a risk. To mitigate its impact on operating cash flow, short-term debt with AR as collateral will be obtained and we will use a build to order strategy to minimize inventory stores. Locomotion will have purchase orders in hand before the short-term debt can be obtained. In Year 1, customers will have a 6 week lead time for orders and a 4 week lead time in subsequent years. In Year 1, approximately a year's worth of raw goods will be held in inventory as manufacturing is in-house. Thereafter, manufacturing will be contracted and we will have one-month inventory (13 turns) by Year 5.

See Appendix for further financial details:

- **Appendix 6:** Additional Financial Assumptions
- **Appendix 7:** 5-year Financials including Balance Sheet, Income Statement, and Cash Flow Statement

Funding

Funding Requirements

Locomotion seeks a $700K Preferred Series A investment beginning Year 1 to fund operations and sales. Beginning Year 2 we will seek a $1.1M Preferred Series B round to fund expansion and increased sales.

Funding Strategy and Sources and Uses

Locomotion will utilize equity and grant funding. A $10k Technology Transfer Office Proof of Concept has been awarded. We will apply for a Phase I SBIR grant of $100k and a $100k Technology Transfer Office Proof of Concept grant in the first half of 2006. Concurrent with grant funding, an Angel seed round will be sought to fund initial business startup costs, marketing, CEO recruitment and customer relationship development.

Uses of grant funds:

1. Clinical trials to establish efficacy – 6 months
2. Product specifications development – concurrent 6 months

Uses of $700K Series A investment includes:

1. Salaries
2. Final Product Development and Commercial Design
3. Working capital requirements – Year 1 raw goods inventory
4. Marketing – conference attendance, publication advertising, advertising materials, and establishing channel relationships
5. PPE expenditures – tooling for manufacturing and facility costs

Exit Strategy

In Year 5, we will seek a buyout, expected from a strategic buyer in the rehabilitation device sector rather than a financial buyer. With strong cash flows, $41.2M revenue, and 67% gross margins, we will be an attractive firm for a strategic buyer seeking to gain market share and improve their product mix.

Appendix 1 – References

[i] National Center for Health Statistics, Health Care Expenditures Forecast
[ii] National Center for Health Statistics, Health Care Expenditures Forecast
[iii] Robert Gold, Health Care Equipment Industry Analysis, Standard & Poors, www.standardandpoors.com.
[iv] North American Mobility Aids Markets, Frost and Sullivan, October 2004.
[v] Health*, United States, 2004*, National Center for Health Statistics, Center for Disease Control and Prevention
[vi] National Center for Health Statistics of the Center for Disease Control and Prevention
[vii] Center for Disease Control
[viii] *Robotics: Paralyzed Patients Walk on Treadmill Via Breakthrough Technology*, Medical Devices & Surgical Technology Week (12/2001)
[ix] U.S. Department of Labor, Bureau of Labor Statistics, Occupational Outlook Handbook 2005.
[x] Boughton, B, BioMechanics (4/2004)

Appendix 2 -- Competitive Matrix and Features Table

Competitive Matrix

Company	Product	Price	Description	Competition Analysis	Industry Perception
Biodex	Rehabilitation treadmills and Body Weight Support Systems	Treadmill - $8K Body Weight Support System - $15K	Private U.S. company. Producer of high end rehabilitation treadmills and weight support.	Potential future direct competitor	The treadmill and weight support system is popular and affordable.
Encore Medical	Orthopedic Rehabilitation Products	High end, high priced orthopedic solutions.	Public U.S. company. Bought Chattanooga Group in 2002	Products are not competitor, but distribution channels could be indirect competitor	Popular and profitable orthopedic and surgical devices. Not a competitor in the treadmill rehabilitation space.
HealthSouth	AutoAmbulator	$ 250K	Public U.S. company. Product not available outside HealthSouth's 160 network hospitals	Indirect Competitor	AutoAmbulator is used as a competitive advantage to get patients to choose get rehabilitation at a HealthSouth hospital.
Hocoma	Lokomat	Robotic device - $175K Treadmill and Body Weight Support System - $75K	Private Swiss company. Lokomat is primarily used for research because it is too expensive and complicated for clinical use.	Indirect Competitor	Physical therapists and Hospital Administrators are not convinced that the Locomat provides better therapy or a favorable ROI. Locomat is cumbersome for physical therapists to set up for patients.
Mobility Research	LiteGait Partial Body Weight Support System and Rehabilitation Treadmills	Treadmill - $8K LiteGait Body Weight Support System - $15K	Small privately held company. Producer of popular LiteGait weight support device. Expanding range of rehabilitation devices.	Indirect Competitor/ potential future direct competitor	LiteGait is very popular and accepted with physical therapists and used on patients will all types of neurological conditions.
Robomedica	Robotic Step Training Device, Body Weight Support System with Integrated Treadmill	Treadmill and Body Weight Support System - $75K Robotic Step Training Device not currently commercialized. Currently conducting evidentiary research.	Small new privately held company out of UCLA. Producer of advanced electro-pneumatic partial body weight support systems.	Indirect Competitor/ Future Competitor	Horrible customer service which has deterred customers. Research community is excited about forthcoming results of Robomedic's studies.
WoodWay	Rehabilitation Treadmills, Body Weight Support Systems, and Parallel Bars	Treadmill - $12K Body Weight Support System - $35K	Private mid-size German company. Specializes in fitness and medical rehabilitation equipment, primarily in the treadmill space.	Indirect Competitor/Potential future direct competitor	WoodWay treadmills are popular and accepted by physical therapists.

Features Table

Feature	Benefit to Facility	Benefit to Therapist	Benefit to Patient
Adjustable Attachment Position on Patients' Feet, Ankles, or Legs	Leads to therapist acceptance because better, more tailored therapy can be provided.	Allows for giving better therapy to patients requiring different types of gait therapy.	Tailored therapy to individual patient needs.
Applied Forces are Adjustable and Measured	Leads to therapist acceptance because therapy is consistent and quantifiable and progress of therapy is easily measured.	Allows data driven therapy and the ability to quantifiably measure therapy progress.	Consistent and quantifiable therapy. Therapy progress is easily measured. Allows for progressive assistance during recovery.
Able to be integrated with other treadmills and BWSS	Easy for Physical Therapists to integrate ESA with current therapy devices. Purchase of entirely new treadmill system is not mandatory.	Physical Therapists have flexibility in prescribing and giving therapy. Does not limit type of therapy provided.	Provides flexible therapy.
Simple, Robust Design with replaceable consumables	Little down time if repair is needed. Leads to high utilization levels and reimbursable therapy time. Life-span of 5-7 years with 16hrs/day use allows for minimal yearly capital expenditures.	Technology acceptance threshold is low due to simplicity.	Risk of missing therapy is low.
Easy to use	Increases quality of work life for Physical Therapists, leads to acceptance of Physical Therapists to using ESA at the facility, and increases reimbursable therapy time.	Easier to provide care to more patients and leads to greater acceptance of product.	Increased therapy time due to due easy set-up
Provides assistance of forward motion of gait	Reduces number of Physical Therapists needed for 1 patient doing treadmill rehab from 3 Physical Therapists to 1 therapist. Allows for fully reimbursable therapy and reallocation of therapist resources.	Eliminates fatigue and potential for injury by removing need to manually manipulate leg. Unlike robotic devices, provides therapy that is not completely constrained.	Increased therapy time because Physical Therapists are not limited by fatigue. Physiological benefit of reducing the number of people required to give you therapy. Reduces feeling of helplessness because patient is required to exert some force with the assistance of therapy products.
Safety features - balance assist arm-rails, emergency shut off and programmable therapy sessions	Reduces liability of injury to patients.	Allows Physical Therapists to be more hands-off during therapy sessions.	Comfort in knowing risk of injury during therapy is minimized. Customized program of therapy provides tailored and effective therapy session.
Delivery, Installation, and Training Provided by Locomotion	No additional cost for these features.	Convenience, expert training provided to Physical Therapists. Allows for more time to be spent on providing therapy.	Allow for better therapy because Physical Therapists can focus on providing therapy instead of installing and learning new devices.

Appendix 3 – Management Team Resumes

Jeanine M. Lee

jeanine.lee@colorado.edu
(303) 596-5141

635 Gooseberry Dr.
Longmont, CO 80503

PROFESSIONAL EXPERIENCE

Colorado PERA — **Denver, CO**
Alternative Assets Investment Intern — May 2005-Sept 2005

- Led PERA's first secondary sale of private equity funds. Facilitated sale of venture capital and leverage buyout funds by: (i)conducting private equity financial valuations and due diligence; (ii)developing financial models for private equity firms; and (iii)coordinating sale with General Partners and potential buyers.
- Created investment recommendations for venture capital and leverage buyout investments by conducting due diligence, analyzing previous investment records, analyzing funds' strategies in their target market, and researching overall investment potential.
- Met with visiting private equity firms raising capital for new funds.
- Assisted Director and Portfolio Managers by conducting due diligence and attending Investment Committee meetings.

IBM, Global Services — **Boulder, CO**
Information Technology Specialist — August 1998-May 2005

- IT Consultant and Team Lead in providing technology solutions for various internal and external customers.
- Database development team lead that gathered requirements, designed, and implemented internet software applications to support IBM's time reporting, financial, forecasting, and sales systems. Implemented three-tier architecture and supported end-to-end database architecture.
- Provided performance analysis, architecture and database design, and system enhancement for IBM's business partners. Maintained development, testing, and production environments.
- Implemented information warehouse and archive tools in large data systems to provide cost savings.
- Reviewed Year 2000 methodologies and strategies for IBM's time reporting, financial services, and software distribution. Reviewed critical systems, identified potential compliance issues, developed contingency plans, and conducted qualitative analysis.

EDUCATION

University of Colorado, Leeds School of Business — **Boulder, CO**
Master of Business Administration, Finance Focus — May 2006 Graduation
Beta Gamma Sigma Distinction

University of Virginia, School of Engineering — **Charlottesville, VA**
Bachelor of Science in Systems Engineering — May 1998

GEOFFREY G. SNYDER

122 Hoover Ave.
Louisville, CO 80027
(303) 449-4767 Home
(303) 859-3767 Cell

SUMMARY: Quality oriented operations professional with a consistent record of achievement in quality systems management, implementation of world-class manufacturing techniques, quality improvements, cost reduction, international project management and new product introduction.

EXPERIENCE:

2001 – Present **SARTORIUS NORTH AMERICA**
Technical Competence Center, Arvada, CO
OPERATIONS/QUALITY MANAGER
Responsibility for daily operations of standard balance product line with $12M annual revenues, including staff of 18 manufacturing and supervisory personnel, as well as responsibility for site quality management including quality systems, customer quality, corrective/preventive actions, incoming quality, continuous improvement and production quality.

2000 – 2001 **ZOLO TECHNOLOGIES, INC.**
Louisville, CO
MANUFACTURING ENGINEER
Responsible for development of high volume production capabilities for venture capital funded start-up developing passive optical dense wavelength division multiplexers (DWDM) for the optical telecommunications market.

1999 – 2000 **CARRIER ACCESS CORPORATION**
Operations Division, Boulder, CO
PRODUCT SERVICES MANAGER
Responsible for management of warranty repair department, quality information systems development and quality improvement initiatives with a staff of 9 direct reports.

1994 – 1999 **DOVATRON INTERNATIONAL**
Dovatron Manufacturing Colorado, Longmont, CO
TECHNICAL OPERATIONS MANAGER
Responsible for management of daily operations and technical issues for facility's largest customer, a provider of consumer use blood glucose meters, accounting for facility revenues of $25M in 1998
PROCESS ENGINEER (1994 – 1998)

EDUCATION:

LEEDS SCHOOL OF BUSINESS – UNIVERSITY OF COLORADO, Boulder
Masters in Business Administration (MBA), 2006 (In Process)
Beta Gamma Sigma Distinction

NORTHEASTERN UNIVERSITY, Boston, MA
Bachelor of Science – Mechanical Engineering (BSME), 1993

Appendix 4 – Board of Advisor Biographies

Jim Carollo, PHD - Dr. Carollo is the Director of the *Center for Gait and Movement Analysis* (CGMA) at The Children's Hospital in Denver, Colorado, and is an Assistant Professor in the Department of Physical Medicine and Rehabilitation and the Department of Orthopedics at the University of Colorado at Denver and Health Sciences Center (UCDHSC). He has over 20 years experience in biomedical instrumentation, biomechanics, clinical gait analysis, and rehabilitation engineering, has designed and built four clinical motion laboratories, and is a licensed professional engineer in the state of Texas. He currently is the Vice-President of the National Commission on Motion Laboratory Accreditation (CMLA), on the editorial board for the Journal of Electromyography and Kinesiology, and has been active in the IEEE Engineering in Medicine and Biology Society and the Gait and Clinical Movement Analysis Society (GCMAS). Dr. Carollo received his bachelor's and master's degrees in Bioengineering from Texas A&M University and his doctoral degree from the joint program in Biomedical Engineering at UT Southwestern Medical Center and the University of Texas at Arlington.

George Deriso – Mr. Deriso has more than 25 years of experience as a senior or executive manager of technology operations in the areas of telecommunications, computer manufacturing, software development, IT, e-commerce, customer support and professional services. He has created and managed numerous standalone business units, each with its own P&L and profitability goals, and been instrumental in the creation and evolution of seven start-up technology companies. He has managed multifunctional divisions with multimillion-dollar budgets, and has held management positions in both large enterprises and nascent start-ups, including AT&T, Apple Computer, Requisite Technology, Insession Incorporated, Intermezzo Systems and Solista Global LLC. Most recently, with Solista and Gartner, Inc., Mr. Deriso's work has been with the venture capital and entrepreneur communities, assisting both with their business, investment, funding and technology strategy requirements.

Mark Feuer: Mark is a serial entrepreneur with over 20 years of experience leading or serving on teams in the development and execution of strategic plans, primarily in early stage ventures (health care, manufacturing and technology). His strengths are in marketing, business planning and analysis, product development, and finance. He also has a successful record of building strategic partnerships.

Rodger Kram, Ph.D. – Dr. Kram is an Associate Professor of Integrative Physiology at the Univ. of Colorado, Boulder, where he directs the Locomotion Laboratory. His research expertise is on the study of biomechanics and energetic cost of locomotion in humans and other animals. He has 20 years of research experience and has published over 35 peer reviewed scientific articles in the field. Kram invented the ESA device as part of his basic science research activities. He is founder and president of Locomotion Inc., a small business dedicated to developing inventions from the Univ. of Colorado Locomotion Lab into commercial products in the physical therapy rehabilitation field.

Bobbie Lutz: Bobbie Lutz is the Program Specialist and lead physical therapist at the *Center for Gait and Movement Analysis* (CGMA) at The Children's Hospital in Denver, Colorado. She graduated from Marquette University in 1992 and has specialized in pediatrics throughout her career. She recently obtained her Master's degree in Physical Therapy at The University of Colorado and became a Board Certified Specialist in Pediatrics in 2004.

Steve Smith, JD: Steve has more than 25 years of experience in the legal and financial aspects of U.S. and international business, both as corporate officer and legal advisor. Areas of expertise include Intellectual Property, Licensing, M&A, Divestitures and Financings.

Appendix 5 – Revenue Model

Locomotion Inc.

Revenue Model

	Year 1	Year 2	Year 3	Year 4	Year 5
SUMMARY US SALES					
Number of Strategic Partners					
IRF Partners	1	1	2	3	3
Comparable/Complementary Product Distributor	1	3	5	7	10
Outpatient Group Partners	0	0	1	3	5
Assisted Living Facility Group Partners	0	0	0	1	4
	2	4	8	14	22
Number of Units					
Swing Assist Device - Stand Alone	25	106	282	587	927
Integrated Swing Assist Device and Treadmill	0	0	71	226	556
Partial Body Weight Support Device	0	0	0	90	371
Total	25	106	353	903	1,855
Revenue by Product Line					
Swing Assist Device - Stand Alone	$ 378,000	$ 2,129,225	$ 5,577,247	$ 11,630,264	$ 18,396,485
Integrated Swing Assist Device and Treadmill	$ -	$ -	$ 1,952,036	$ 6,262,450	$ 15,453,047
Partial Body Weight Support Device	$ -	$ -	$ -	$ 1,789,271	$ 7,358,594
Total	$ 378,000	$ 2,129,225	$ 7,529,283	$ 19,681,986	$ 41,208,126
Units by Distribution Channel					
IRF Partners	18	29	48	66	82
Comparable/Complementary Product Distributor	4	60	225	602	1,219
Direct Sales	4	8	14	83	172
Outpatient Group Partners	0	9	21	49	84
Assisted Living Facility Group Partners	0	0	45	103	297
Total	25	106	353	903	1,855
Revenue by Distribution Channel					
IRF Partners	$ 225,000	$ 615,825	$ 1,092,650	$ 1,535,780	$ 1,948,113
Comparable/Complementary Product Distributor	$ 67,500	$ 1,121,250	$ 4,552,706	$ 12,421,747	$ 25,607,550
Direct Sales	$ 85,500	$ 196,650	$ 366,359	$ 2,169,414	$ 4,577,919
Outpatient Group Partners	$ -	$ 195,500	$ 485,622	$ 1,137,615	$ 1,998,065
Assisted Living Facility Group Partners	$ -	$ -	$ 1,031,947	$ 2,417,431	$ 7,076,479
Total	$ 378,000	$ 2,129,225	$ 7,529,283	$ 19,681,986	$ 41,208,126

Appendix 6 – Additional Financial Assumptions

- **Cost of Goods**: Manufacturing will be in-house in Year 1 and will be outsourced starting in Year 2. The Bill of Materials is listed below with an expected cost of $2000. Year 1 BOM is $4000 due to low volumes. Fixed costs for tooling of specialty equipment costs $50,000 in Year 1, and increasing in subsequent years. Increasing volumes reduce fixed and variable operational costs resulting in an increase in Gross Operating Margins from 20% to 67% in 5 years.

ESA Bill to Materials Costs (in $'s)	
Frame	800
Panels	300
Straps/Cords/Pullies/Misc	200
Bands	100
Force Transducers/Motors	200
Electronics	400
Total	2000

	Year 1	Year 2	Year 3	Year 4	Year 5
Mix					
ESA	100%	100%	80%	65%	50%
ESA w/Treadmill	0%	0%	20%	25%	30%
BWSS	0%	0%	0%	10%	20%
Price/Unit					
ESA	$4,000	$3,000	$2,500	$2,200	$2,000
ESA w/Treadmill			$10,000	$9,000	$8,000
BWSS				$10,000	$7,000
Avg Cost/Unit					
ESA	$4,000	$3,000	$2,000	$1,430	$1,000
ESA w/Treadmill			$2,000	$2,250	$2,400
BWSS				$1,000	$1,400
Average Cost	**$4,000**	**$3,000**	**$4,000**	**$4,680**	**$4,800**

- **Cost Savings:** Average cost savings to facilities will be $1080/day and payback period of 3.3 weeks. Assuming Average Physical Therapist salary (Bureau of Labor) is $55k ($80k full benefit cost)

Cost Savings

PT Hourly Rate	$40	(Bureau of Labor)		
	Baseline Use	Light Use	Very Light Use	Heavy Use
Qty PT for Current Technology	2.5	2.5	2.5	2.5
Cost/Hr of Therapy (PT)	$100	$100	$100	$100
Machine Utilization (hrs/day)	12	8	4	16
Therapists needed with ESA	1			
Savings				
Therapist Reduction	1.5			
Hours/Day	18	12	6	24
$$/Day	**$1,080**	**$720**	**$360**	**$1,440**

Payoff Period					
		Payoff (Wks)			
Sale Price		Baseline Use	Light Use	Very Light Use	Heavy Use
$	25,000.00	*3.3*	*5.0*	*9.9*	*2.5*

- **Leasing of Facilities:** PPE will be minimized by leasing all facilities. Initial facility size is 2,000 ft^2, moving to 15,000 ft^2 facility in Year 3 and a 40,000k ft^2 facility in Year 5.

- **Inventory:** In Year 1, customers will have a fulfillment cycle of 6 weeks and in Year 2-5, the fulfillment cycle will be 4 weeks. Inventory for Year 1 will be one year raw goods and purchases will be built to order with 6 week lead time required of customers. In Years 2-5, manufacturing is outsourced, with manufacturers requiring 4 weeks lead time. We will have inventory of finished goods with 60 days outstanding (7 turns) in Year 1 to 30 days outstanding (13 turns) by Year 5.

- **Personnel:** Employee hiring will be in-line with industry norms as compared to revenue.

	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Personnel Requirements	4	14	33	55	98

- **Research and Development:** Engineering for product development will be outsourced initially and brought in-house in future years as appropriate. Product development costs are $150K in Year 1 and increase to $2.0M by Year 5.

- **Marketing:** Marketing in our industry is key to executing sales. Conference attendance, publication advertising, advertising materials, and establishing channel relationships will cost $50K in Year 1 and increase to $600K by Year 5.

Appendix 7 – 5-Year Financials

Locomotion Inc.

Balance Sheet

Years 1 to 5

	Begin	Year 1	Year 2	Year 3	Year 4	Year 5
ASSETS						
CURRENT ASSETS						
Cash	$ 100,000	$ 184,347	$ 413,325	$ 278,944	$ 471,291	$ 1,519,655
Accounts Receivable		$ 205,632	$ 638,768	$ 1,882,321	$ 4,920,496	$ 10,302,032
Inventories		$ 129,427	$ 319,384	$ 903,514	$ 1,968,199	$ 3,296,650
Other Current Assets		$ 6,804	$ 21,292	$ 75,293	$ 196,820	$ 412,081
Total Current Assets	$ 100,000	$ 526,210	$ 1,392,769	$ 3,140,071	$ 7,556,806	$ 15,530,418
PROPERTY & EQUIPMENT	$ -	$ 40,381	$ 118,857	$ 272,095	$ 575,857	$ 1,172,238
TOTAL ASSETS	$ 100,000	$ 566,591	$ 1,511,626	$ 3,412,167	$ 8,132,663	$ 16,702,656
LIABILITIES & SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Short Term Debt	$ -	$ 102,816	$ 383,261	$ 1,129,393	$ 1,476,149	$ -
Accounts Payable & Accrued Expen		$ 54,432	$ 170,338	$ 602,343	$ 1,574,559	$ 3,296,650
Other Current Liab		$ 6,804	$ 21,292	$ 75,293	$ 196,820	$ 412,081
Current portion of long term debt	$ -	$ -	$ -	$ -	$ -	$ -
Total Current Liabilities	$ -	$ 164,052	$ 574,891	$ 1,807,028	$ 3,247,528	$ 3,708,731
LONG TERM DEBT (less current portion)	$ -	$ -	$ -	$ -	$ -	$ -
STOCKHOLDERS' EQUITY						
CommonStock	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Preferred Stock	$ -	$ 700,000	$ 1,800,000	$ 1,800,000	$ 1,800,000	$ 1,800,000
Retained Earnings		$ (397,461)	$ (963,265)	$ (294,861)	$ 2,985,136	$ 11,093,925
Total Equity	$ 100,000	$ 402,539	$ 936,735	$ 1,605,139	$ 4,885,136	$ 12,993,925
TOTAL LIABILITIES & EQUITY	$ 100,000	$ 566,591	$ 1,511,626	$ 3,412,167	$ 8,132,663	$ 16,702,656

Locomotion Inc.

Income Statement

Years 1 to 5

	Year 1	Year 2	Year 3	Year 4	Year 5
NET REVENUES	$ 378,000	$ 2,129,225	$ 7,529,283	$ 19,681,986	$ 41,208,126
COST OF REVENUE	$ 302,912	$ 921,322	$ 2,807,553	$ 6,900,932	$ 13,686,917
% of Revenues	80.1%	43.3%	37.3%	35.1%	33.2%
GROSS PROFIT	$ 75,088	$ 1,207,903	$ 4,721,731	$ 12,781,054	$ 27,521,210
% of Revenues	19.9%	56.7%	62.7%	64.9%	66.8%
OPERATING EXPENSES					
Sales & Marketing	$ 160,460	$ 628,546	$ 1,386,050	$ 2,668,239	$ 5,252,569
Research & Development	$ 77,560	$ 650,585	$ 1,262,086	$ 2,154,640	$ 4,137,663
General and Administration	$ 164,227	$ 256,251	$ 792,252	$ 1,280,473	$ 2,356,329
Total Operating Expenses	$ 402,247	$ 1,535,381	$ 3,440,388	$ 6,103,352	$ 11,746,561
% of Revenues	106%	72%	46%	31%	29%
EARNINGS FROM OPERATIONS	$ (327,159)	$ (327,478)	$ 1,281,343	$ 6,677,702	$ 15,774,649
EXTRAORDINARY INCOME / (EXPENSE)	$ (60,020)	$ (200,000)	$ (500,000)	$ (1,260,000)	$ (2,260,000)
EARNINGS BEFORE INTEREST & TAXES	$ (387,179)	$ (527,478)	$ 781,343	$ 5,417,702	$ 13,514,649
INTEREST INCOME / (EXPENSE)	$ (10,282)	$ (38,326)	$ (112,939)	$ (147,615)	$ -
NET EARNINGS BEFORE TAXES	$ (397,461)	$ (565,804)	$ 668,403	$ 5,270,087	$ 13,514,649
TAXES	$ -	$ -	$ -	$ (1,990,090)	$ (5,405,860)
NET EARNINGS	$ (397,461)	$ (565,804)	$ 668,403	$ 3,279,997	$ 8,108,789
% of Revenues	-105.1%	-26.6%	8.9%	16.7%	19.7%

Locomotion Inc.

Cash Flow Statememt

Years 1 to 5

		Year 1	Year 2	Year 3	Year 4	Year 5
OPERATING ACTIVITIES						
Net Earnings		$ (397,461)	$ (565,804)	$ 668,403	$ 3,279,997	$ 8,108,789
Depreciation		$ 19,619	$ 61,524	$ 151,762	$ 316,238	$ 643,619
Working Capital Changes						
(Increase)/Decrease Accounts Receivable		$ (205,632)	$ (433,136)	$ (1,243,553)	$ (3,038,176)	$ (5,381,535)
(Increase)/Decrease Inventories		$ (129,427)	$ (189,957)	$ (584,130)	$ (1,064,685)	$ (1,328,452)
(Increase)/Decrease Other Current Assets		$ (6,804)	$ (14,488)	$ (54,001)	$ (121,527)	$ (215,261)
Increase/(Decrease) Accts Pay & Accrd Expenses		$ 54,432	$ 115,906	$ 432,005	$ 972,216	$ 1,722,091
Increase/(Decrease) Other Current Liab		$ 6,804	$ 14,488	$ 54,001	$ 121,527	$ 215,261
Net Cash Provided/(Used) by Operating Activities		$ (658,469)	$ (1,011,466)	$ (575,514)	$ 465,591	$ 3,764,513
INVESTING ACTIVITIES						
Property & Equipment		$ (60,000)	$ (140,000)	$ (305,000)	$ (620,000)	$ (1,240,000)
Other						
Net Cash Used in Investing Activities		$ (60,000)	$ (140,000)	$ (305,000)	$ (620,000)	$ (1,240,000)
FINANCING ACTIVITIES						
Increase/(Decrease) Short Term Debt		$ 102,816	$ 280,445	$ 746,132	$ 346,756	$ (1,476,149)
Increase/(Decrease) Curr. Portion LTD		$ -	$ -	$ -	$ -	$ -
Increase/(Decrease) Long Term Debt		$ -	$ -	$ -	$ -	$ -
Increase/(Decrease) Common Stock		$ -	$ -	$ -	$ -	$ -
Increase/(Decrease) Preferred Stock		$ 700,000	$ 1,100,000	$ -	$ -	$ -
Dividends Declared		$ -	$ -	$ -	$ -	$ -
Net Cash Provided / (Used) by Financing		$ 802,816	$ 1,380,445	$ 746,132	$ 346,756	$ (1,476,149)
INCREASE/(DECREASE) IN CASH		$ 84,347	$ 228,978	$ (134,382)	$ 192,347	$ 1,048,364
CASH AT BEGINNING OF YEAR		$ 100,000	$ 184,347	$ 413,325	$ 278,944	$ 471,291
CASH AT END OF YEAR	$ 100,000	$ 184,347	$ 413,325	$ 278,944	$ 471,291	$ 1,519,655