



PHARMA FEUDS NEGOTIATION

Confidential Information for Pat Lytle, Pure Health, Inc. and Pure Health's Counsel

[Counsel would have learned this information from Pat Lytle.]

You are livid at the idea that Blue Pharm would even *think* of giving the Pure Health to Immuno-Pure improvements back to the for-profit Pharmalux. Everyone involved knew the reason for Pure Health's existence was its commitment to Immuno-Pure. Pure Health would *never* have knowingly agreed to let its hard work be taken by Pharmalux to benefit Immuno-Plus. That would be like donating the rope for one's own hanging. If Immuno-Pure is not a clearly better (purer) product, there is no reason for it.

You are certain that Pharmalux badgered Blue-Pharm for the technology, wrongfully taking advantage of their board membership. Truth is that Immuno-Pure has been directly competing with Immuno-Plus and winning the battle. That was a risk Pharmalux took!

Even if, in the abstract, the contract language could be clearer regarding rights to derivative improvements for anti-microbials, there's NO way Pure Health can concede that now. Your business must have the advantage of its competitive advantage in anti-microbial coatings, or it won't be able to grow and prosper beyond intravenous immune-related pharmaceuticals.

In Pure Health's first three years of business, it has not quite met its financial projections in Immuno-Pure. Instead, it brought in \$8 million the first year, 10 million the second year, and \$12 million in the past year, yielding profits (before \$1million in licensing fees of \$2 million, \$4 million, and \$6 million. (Your profit margins were higher in years two and three because of process improvements.) You have put virtually all of that into research and developments for improvements and new product development – including the work in anti-microbial coatings.

The anti-microbial business has just started to pick up, yielding net profits of only \$500,000 this past year. You anticipate that it will take a year or so to get rolling but should generate healthy (\$5 million or more) in profits within 4 to 5 years' time.

Right now, Pure Health simply has not much cash and can ill-afford more debt. Pure Health needs steady income from a mature Immuno-Pure product and is banking on Immuno-Pure cutting into Immuno-Plus's market within the next few years. Without that, Pure Health will have to throw in the towel.