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Pertexa

City of Ridgecrest  
Economic Development Manager  
100 W. California Ave.  
Ridgecrest, CA 93555

5<sup>th</sup> May 2014

**RE: Proposal 'RoboDoc Assembly in Ridgecrest'**

Dear Gary,

Firstly I would like to thank you for your time, guidance and various creative options available to us allowing serious consideration to base our Project in the City of Ridgecrest.

I have pleasure in submitting our proposal.

This is predicated on having a '**Free Trade Zone**' which clearly changes the dynamics for assembling our unit in Ridgecrest, provide the 'Value Add' with our unique software and then deploy it in such a way that it attracts **Sales Tax** at the point of sale (Ridgecrest) as opposed to 'Port of Entry' (LA).

I would like to bring out 10 key points:

1. The proposed 'Free Trade Zone' would not only benefit Pertexa but also form a basis for other potential companies looking for similar environment.
2. The Sales Tax Revenues are based on a medium growth trajectory and can be flexed based on financial support available. At 1% of Sales Tax represents \$350 per unit directly to the City of Ridgecrest.
3. Additional Tax revenues would flow from the use of building premises where an assembly and operational office space would be required.
4. All the key items are in place, including import licenses, freight companies and our unique software, and key partners.
5. Even during a pre-launch – we have been very well received from the community and especially those connected with Healthcare and Education.
6. The most likely volume of jobs is going to be based in the semi-skilled category (\$15- \$25 p/h) and projected to grow to at least 550 over the next 5 years. A smaller volume of jobs would be in the \$40- \$150 p/h range.
7. The semi-skilled jobs will mainly be in the assembly, support, call center and admin areas.
8. Additional collaboration with local entities will continue to create innovative solutions yielding other spin offs for Pertexa or other companies thus benefiting the City of Ridgecrest in terms of additional jobs and Tax revenues.
9. Additional Net income and spending by the local community will help attract other support and services in areas (restaurants, housing, social and leisure)
10. Our Unique application will help place Ridgecrest on the map as a center of innovation attracting other companies seeking similar environments. Not all high technology companies want to be in areas of 'Silicon Valley' where they could be prone to commercial predatory, Intellectual Property (IP) theft and high staff attrition.

We have received a very positive and active support from the local and surrounding community. There is growing momentum and the Company feels that this more than off-sets the increased compliance costs of traditionally doing business in California.

Expediency is one of our criteria's and as such have suggested that City of Ridgecrest consider financial support in phases, this we hope will allow you to move flexibly and at the same time allow the City of Ridgecrest to see progress.

1. **\$250K** Initial - This will allow Pertexa to make certain commitments
2. **\$250K** Second payment after 60 days allowing City of Ridgecrest to see some progress and give time to get the 'Free Trade Zone' underway
3. **\$375K** on successful deployment of 1<sup>st</sup> Rob-Doc unit (estimated at 6 months from initial start date)
4. Subsequent release of funds can be phased and be mutually determined

Although the financials show a requirement in region of \$1.5M, Pertexa would consider viability **between \$875K to \$1.2M.**

Based on the support from the City, adjustments to the growth projections would need to be made based on flexing of financials with additional and other forms of financing.

I would also like to stress that the company is viewing this a '**Long Term Partnership**' with community support (Hospitals, Medical Clinics, Community Colleges, Local Businesses), Private Equity (Consortium of Physicians, individuals), Pertexa (Having been in the City over last few years) and the City of Ridgecrest.

We are working towards some aggressive milestone with Cerro Coso Community College, surrounding Hospitals and medical clinics. Ideally we need to act with speed as this will go a long way in achieving some of our key milestones and addressing the immediate market needs, ultimately benefiting the City in terms of jobs and Sales Tax revenues.

I look forward in hearing from you at the earliest, should you have any questions, please do not hesitate to contact me personally where I would be more than happy to answer your questions in person.

Yours sincerely



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*“Part of Future Medical landscape”*

*Final device will differ from above example.*



# “ROBO-DOC ASSEMBLY”



Document Number	Document Purpose	Version Number	Release Date
1.6	Robo-Doc Assembly in City of Ridgecrest for National Telemedicine rollout	1.6	May 2014
Review	Designation	Comments	Date of Review
Kishor Joshi	President		2014
Review	Designation	Comments	Date of Review
Dr. Earl Ferguson	Board Member		2014
Contribution by	Designation	Comments	Date of Review
Dr. Tim Dawson Dr. Robert Gross	Technical Engineer Medical Advisor		2014
Delivered to	Designation	Comments	Date of Delivery
Gary Parsons	City of Ridgecrest Economic Development Manager		April 2014
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### **APPENDIX:**

**EASE OF USE AND OUR USP**

**ASSET COST OF ROBO-DOC**

## 1. INTRODUCTION

In 2005 Pertexa Healthcare Technology Inc. was formed to address the needs for growing demands in Healthcare Software Technology in areas of Revenue Cycle Management (RCM), Electronic Healthcare Records (EHR) and Business Intelligence (BI).

Pertexa has successfully completed its RCM module and recently the EHR module also known as 'Radekal'.

As the company moved forward it decided to look at the viability of Ridgecrest as a base for its long term strategic plans. The required Business, Profession and Trade Permits was applied back in 2011 in the category of Retail Sales and Service.

In 2013 it was identified that Ridgecrest had the core foundations and further market entry steps were taken including show casing the unique product and its applications to some of the medical community in and around Ridgecrest.

Within 1 month of a pre-launch (sampling of support)

**Dr. Earl Ferguson** "I picked this up in 20 mins and am 40% more productive over using the current system ... a truly Disruptive Technology"

**Lee Baron (CEO and CFO)** of Lone Pine Hospital, President of California Rural Healthcare Association "A very impressive easy to use system, If you was ready today, you could be looking at 1,000 users"

**Dr. Robert Gross** "First time I have seen such a simple application, this now makes my vision of Telemedicine possible"

**Jill Board (President)** Cerro Coso Community College "My son is a Physician, I understand the problems you describe and hear those issues from him... The market needs you.... How fast can we get the Training program going?"

3 Hospitals and a number of clinics see the benefits and are in the pipeline for deployment.

In October 2013, with support from **Jim Suver (CEO)**, Ridgecrest Regional Hospital provided office and working space from which to further refine approach and technology.

January 2014 **Dr. Tim Dawson** started to look at the Robo-Doc assembly installed with the Radekal EHR application to bridge a growing need in the Telemedicine market.

February 2014 Dr. Gross expands the Telemedicine requirements to local and remote Medical Scribes using the Robo-doc device.

February 25<sup>th</sup> 2014, Earl Ferguson, MD, PhD agreed to join the Pertexa Board to help in its National Growth.

## 2. PROBLEM: SOLUTION – BEFORE AND AFTER

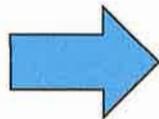
Telemedicine is expected to be one of the largest healthcare growth segments which grew to \$4.2B in 2007, \$10B in 2012, \$14B in 2013 and expected to surpass \$20B in 2014. Driven by:

- Aging population
- Increased healthcare costs
- Advancing technologies
- Increased Telecommunications
- Shortage of Physicians (e.g. 30 Primary care Physicians per 100,000 population in the USA compared to 80 in the UK and 150 in Germany)

Application and use in a range of facilities:

- Hospital
- Critical Access
- Rural Clinics
- Nursing Home
- Prisons
- Rehab Centers
- Offices – For Employees
- Universities/Schools
  - Obesity
  - Diabetes etc.
- Home Consults – Specific range

Currently Telemedicine is practiced generally using push carts, these need to be manually pushed/pulled into the consult rooms and after considerable time and effort in the set-up, the Physician consult takes place.



BEFORE

AFTER

Pertexa would replace the hand pushed carts with State of the art remote controlled Robotic device as if the specialist was present for the consult. Easy touch screen connections linked to the Physicians command center would enable that specialist to carry out the consult saving considerable time, costs with increased patient care.

### 3. ROBO-DOC ASSEMBLY

The core manufacturing would take place in China.

Import process, licenses and Freight Company has already been identified. In this scenario, the taxes would be paid upon port of entry to the port Authorities.

Upon consultation with the Ridgecrest Economic Development Manager (Gary Parsons), various options were put forward to Pertexa including the possibility for City of Ridgecrest to become a '**Free Trade Zone**'

This would allow Pertexa to import the 'parts' **Tax Free** to Ridgecrest. Allow Pertexa to assemble the major sections of Robo-Doc, 'Value Add' to the device by installing its software application and carry out the Quality Assurance before dispatch.

Since there is no Sales Tax on Software, but there is on Physical Hardware, then in the final 'Product' the City would gain from the **Sales Tax** revenues of the combined Value Added unit. In this scenario, Pertexa would only need to pay Sales Taxes at the time of sale not at the time of import thus aiding Pertexa cash-flow.

By having an Assembly base in the USA/Ridgecrest would allow a higher level of Quality Assurance to be done thus reducing field support calls improving customer satisfaction.



**4. FACILITIES REQUIRED WITHIN RIDGECREST**

**Free Trade Zone:**

Pertexa would require City of Ridgecrest to establish a 'Free Trade Zone' at least within 6 months of commencing operations.

**Infrastructure:**

- High Speed internet being fed into the City is a primary requirement.
- Good power supply with well served utilities.
- Good Roads for freight and logistic transportation. National transportation and delivery companies (Fedex, UPS, USPS)
- Operating offices, approx. 4,000sqft
- Call center and support offices, approx. 12,500 sqft which may be combined with the operating offices.
- Assembly, Testing and dispatch facilities, approx. 20,000sqft
- Variety of Hotels and Lodging. It is not anticipated to have high volumes of visitors, however certain face time meetings with Engineers, designers, Healthcare Professionals and potential clients is expected.
  - On a conservative basis this is estimated at between 80-100 individuals per year.
- Captive manpower to help reduce staff attrition and hence training

**Local Community College.**

Cerro Coso Community College has embraced the Scribe services that could be performed as a remote option via the Robo-Doc unit. The President (Jill Board) has already identified the required skilled personnel to work with Pertexa and its application. Once ready CCCC will distribute the course nationally via its education Network opening up further markets for Robo-Doc.

**Employment, Manpower and skill levels**

Skill Level	Estimated Hourly Range	Average Employee Salary	Estimated number of new Jobs : Year 1	Estimated number of new Jobs : Year 5
Semi-Skilled	\$15-\$25	\$30K - \$50K	25	550
Engineering Team	\$40 - \$150	\$80K - \$300K	10	35

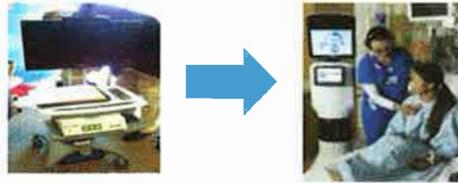
Semi-skilled and High School graduates at entry levels of \$15 – 25 p/h range. Estimated number of jobs, approx. 550 jobs within Year 4/5.

A small number CAD/CAM, Technical and Assembly Technicians, Quality Assurance Engineers and Management at remuneration levels of \$40-\$150 p/h range. Dr. Tim Dawson has a number of individuals identified for the requirements as Pertexa expands. Estimated number of jobs, approx. 35 within Year 4/5.

## 5. ROBODOC FINANCIAL PROJECTIONS

### Some Examples for Market :

Number of Certified Nursing Homes in USA	15,465
Number of Federal Prisons	4,500
Number of Hospital	5,700
Number of Physician Practices in The USA	230,187
Walgreens/CVS/Walmarts/Etc	
Schools/Sports/Natural Disastors/Other Uses	



### OLD TELE-MED PUSH CART      NEW TELE-MED ROBODOC

Projected Sales Units		Y1	Y2	Y3	Y4/Y5
		750	2500	4500	8000
Expected Sales Cost per Unit	\$ 35,000	\$ 26,250,000	\$ 87,500,000	\$ 157,500,000	\$ 280,000,000
	8.25%				
Sales Tax - to City of Ridgecrest	1.00%	\$ 262,500	\$ 875,000	\$ 1,575,000	\$ 2,800,000
Economic Development Fund (or Combinations)	\$ 1,459,050				
Cummulative Return to City of Ridgecrest		\$ 262,500	\$ 1,137,500	\$ 2,712,500	\$ 5,512,500

### Expected Jobs Within Ridgecrest

Engineering and Core Team (\$40 - \$150 p/h Range)  
Support & Services (Call Center: \$15-\$25 p/h Range)

#### Total

10	16	25	35
25	150	350	550
<b>35</b>	<b>166</b>	<b>375</b>	<b>585</b>

### Average Investment Per Job

\$ 41,687	\$ 8,789	\$ 3,891	\$ 2,494
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Other Benefits to CoR	Key Points
Main R&D Center Assembly/Activation Center	Jobs within Ridgecrest Other Spin offs , Greater Options in 'Tax Trade Zone'
Call Center	Support, of application, Rob-Doc, Medscribe Core Team for Engineering, Assembly, Packig and Deployment. A larger number in a 'Call Center' Environme
Collaboration with Cerro Cosso Community Col	Med-Scribe Training - Already in discussions with Jill Board - President
Collaboration with RRH - Innovation Center	Can be Pilot and Beacon for National Rollout with Medscribe
Attraction for other Businesses	Increase Job growth, other spin offs, employment, lifestyle, population retention and Tax Revenues

### Pull from :

Toledo - OH (Tom)	HIGH	Has one of the fastest growing Economic Development Zones in USA
Phoenix - AZ (Paul)	MEDIUM	Great HUB for Flights
Austin - TX (Taylor)	LOW	More of a Software Center- Software Development will stay in TX and UT.
Honolulu - HI (Scudder)	LOW	Difficult Logistics
Ridgecrest - CA (Kishor - President)	HIGH	President happens to be in Ridgecrest and has evaluated Pros/Cons. Not the best Overall State to do Business in but good Core Team with Innovative Thinking Good place to base RoboDoc Assembly and deployment - Conditional on 'Trade Zone Setup'

### Proposal to City:

#### Milestone Based

Total Requirements	\$ 1,459,050.00	Can be flexed based on growth plans
Initial Commitment - Month 1	\$ 250,000.00	Start of Operations
Second Installment - 60 Days from Start	\$ 250,000.00	Infrastructure Set-up
Third Installment - when 1st Robo-Doc deployec	\$ 375,000 00	On Succesful deployment of 1st Robo-Doc. Expected from 6 months from start :
Forth Installment - TBA	\$ 584,050 00	Expansion - Terms can be agreed

### Other Support/Momentum

Ridgecrest Regional Hospital	Earl Ferguson, MD, PhD
Cerro Cosso Community College	Jill Board - President
Kern Valley Hospital	Robert Gross, DO
Dinuba Clinic (10 Providers)	CEO
Burroughs High School - Robotics	Damien Jacotin
AP-Engineering	Dr .Tim Dawson
Tax Time - CPA	Barbara Aggerton - CPA
Lone Pine Hospital	Lee Baron - CEO/CFO

### Additional Local Support from:

Dr. E .Ferguson  
Dr. R .Gross  
Dr. K .Chamas  
Dr. J .Kumar  
Dr. W. Cannata

## 6. OTHER DETAILS

The company is debt free. Main investors from principles and others predominantly in the medical support and services. Private Investors and Private Placements currently account for the majority of the working capital requirements.

It is estimated that a working capital of approximately \$350K - \$500K would be required and is being met by a consortium of Physicians.

Once Robo-Doc and the Medical Scribing has been established, further financing for expansion would be viable including banks, Asset financing and factoring.

Pertexa would propose to Lease Finance the Robo-Docs to the hospitals and clinics.

At an average expected unit cost of \$35K, these units would be leased at an average cost of \$750 p/m to facilities. Conducting approximately 2 medical consults per month would provide the medical facility an ROI, improved patient care and reduced costs.

This would also allow a faster rate of Robo-doc unit sales with high margins would allow re-investments into further growth.

## 7. SUMMARY

Robo-Doc combined with our unique application makes it one of the most cost effective Telemedicine solutions on the market.

Other spin offs and device enhancement would be possible including areas of home health especially in rural healthcare.

Pertexa proposes a phased approach:

1. **\$250K** Initial entry - This will allow Pertexa to make certain commitments
2. **\$250K** Second payment of after e.g. 60 days allowing City of Ridgecrest to see some progress and give time to get the 'Free Trade Zone' underway
3. **\$375K** on successful deployment of 1<sup>st</sup> Rob-Doc unit (estimated at 6 months from initial start date)
4. Subsequent release of funds can be phased and be mutually determined

Although the financials show a requirement in region of \$1.5M, Pertexa would consider viability **between \$875K to \$1.2M.**

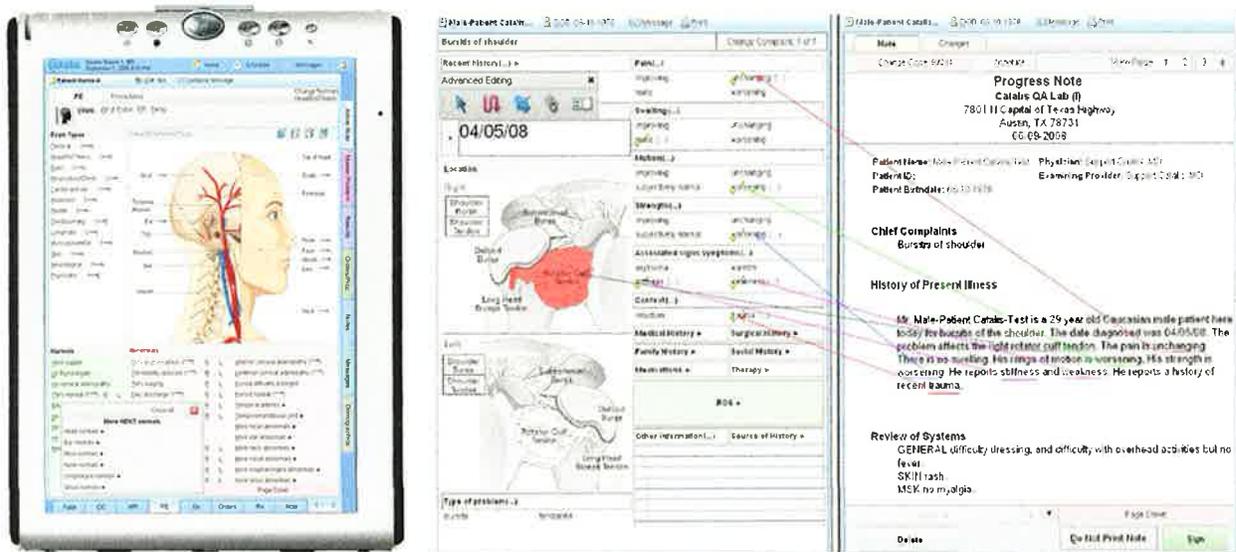
Adjustments to the growth projections would need to be made based on flexing of financials with additional and other forms of financing to be planned for.

## APPENDIX

### COMPETITION AND OUR USP

Pertexa has a **unique** offering:

- No other company has the level of **Dynamic Anatomical** drill down drawings.
- Natural Language generator creating unique progress notes for every patient
- Designed by Physicians in the way they were trained at Medical School
- Ease of Use giving it a faster adoption and reduced training costs
- Competitively priced
- Point and click, Tablet PC's, Voice, and handwriting recognition option.
- Pre-Loaded with ICD-10 with use of Anatomical Graphics for code selections
- Integrated with ICD-10 Practice Management System for Billing



### Proposal to integrate with RoboDoc for Dual Purpose

- Optional Remote Medscribe Services
  - Pre-Loaded with EHR, ICD-10
  - Provider can have on-site or remote using Robo-Doc device
- Tele Medicine for remote consults
  - Increased patient care
  - Increased Practice revenue

Asset Costs

<b>ROBODOC</b>				
<b>VALUE ADDED SHOP COSTS</b>				
<b>BUILDING AND OFFICE SPACE</b>	<b>Units</b>	<b>Unit Cost</b>	<b>Final Cost</b>	<b>Notes</b>
Production and Assembly Facilities	1	\$0.65	\$156,000	20,000 sqft , 1 yr Lease (5 Yr Lease Agreement most likely)
Conference Room and Office Facilities	1	\$0.95	\$45,600	4,000 sqft. 1 yr Lease (5 Yr Lease Agreement most likely)
Call Center Facilities	1	\$1.50	\$225,000	12,500 sqft (Capacity to 50 Employees with built in cost)
Production Cubicles	5	\$3,000	\$15,000	For Engineering
Production Furnitute	5	\$2,000	\$10,000	For Engineering
Office Cubicles	8	\$3,000	\$24,000	For Sales and Support
Office Furniture	8	\$2,000	\$16,000	For Sales and Support
Call Center Installation	1	\$10,000	\$10,000	
Shop Floor Installation			\$30,000	Includes computing, Internet and Certifications
<b>Sub-Total</b>			<b>\$531,600</b>	
<b>INTERNET &amp; COMPUTING</b>	<b>Units</b>	<b>Unit Cost</b>	<b>Final Cost</b>	<b>Notes</b>
Cable/Dsl Modem	7	\$200	\$1,400	Could be free with contract
Wireless Access Point	7	\$150	\$1,050	For wireless internet access
IP Phones+inrastructure	1	\$10,000	\$10,000	Phone system/w 20 phones
Security appliance/firewall	2	\$1,000	\$2,000	Sonicwall or Juniper
Gigabit switch 24port	2	\$300	\$600	Cisco
HP Proliant Server	2	\$2,000	\$4,000	For Domain/Fileshare
Windows Smalll Business Server Software	2	\$1,050	\$2,100	Server software w/5 licenses
Server 5 licenses	3	\$500	\$1,500	5x3 = 15 licenses
Battery Backup	2	\$500	\$1,000	Server Power backup
Backup Drive/s	2	\$150	\$300	Databackup
Mid End Desktop	7	\$600	\$4,200	Administrative etc workstations
High end Desktop	5	\$1,000	\$5,000	Engineering etc workstations
Monitors	15	\$150	\$2,250	Display and Control devices
Windows 7 Prof. Software	15	\$130	\$1,950	Operating system for desktops
Microsoft Office	12	\$200	\$2,400	Administrative software
Other misc software	12	\$75	\$900	Accounting, graphics etc
CAD Software	2	\$10,000	\$20,000	Does not Include Support and Maintenance
Color Laser Printer	2	\$700	\$1,400	General Office printers
Network setup costs	1	\$10,000	\$10,000	Initial Setup of equipment
Wiring	1	\$8,000	\$8,000	
<b>Sub-Total</b>			<b>\$80,050</b>	
<b>SHOP &amp; TEST EQUIPMENT:</b>	<b>Units</b>	<b>Unit Cost</b>	<b>Final Cost</b>	
Robot, Kuka KR 200	2	\$75,000	\$150,000	
Robot, Kuka KR 100	2	\$50,000	\$100,000	
Conveyer Automation System	2	\$30,000	\$60,000	
Pick and Place Robot, KR90 R2700	2	\$25,000	\$50,000	
Part Feeders, Funic M-KiAT	2	\$40,000	\$80,000	
Packaging Dispenser	1	\$10,000	\$10,000	
Boxing Machine	1	\$50,000	\$50,000	
Accessory Tooling and Attachments Kits	1	\$37,500	\$37,500	
Overhead Crane	1	\$36,500	\$36,500	
Oscilloscope	2	\$1,200	\$2,400	
Signal Generator	2	\$500	\$1,000	
Hand Tools	1	\$4,000	\$4,000	
Shop Installation & Setup			\$15,000	
Scissor Lift Pallet Jack	1	\$2,500	\$2,500	
Machine Lathe	1	\$14,500	\$14,500	
Milling Machine (Bridgeport)	1	\$15,000	\$15,000	
<b>Sub-Total</b>			<b>\$28,400</b>	
<b>EQUIPMENT &amp; ENVIRONMENTAL CONTF</b>	<b>Units</b>	<b>Unit Cost</b>	<b>Final Cost</b>	
Container Moving-Stacking Machine	1	\$15,000	\$15,000	
Forklift-(electric)	1	\$10,000	\$10,000	
Compressor	2	\$2,000	\$4,000	
Air Filtration System	1		\$5,000	
Clean Room Facility, (300 Sqft)	1		\$110,000	
Industrial A/C Units	1		\$45,000	
<b>Sub-Total</b>			<b>\$219,000</b>	
<b>TOTAL ASSET COSTS</b>			<b>\$1,459,050</b>	