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Medtronic Sofamor Danek is a \$1 billion spine care division of Medtronic, the largest medical device manufacturer in the world. Medtronic Sofamor Danek specializes in offering products to neurosurgeons and orthopedic surgeons for the treatment of spine disease. Our company supplies products to over 3500 medical institutions and 3000+ physicians.

The corporate headquarters for Medtronic Sofamor Danek is located in Memphis, Tennessee. One of the critical components of our business is the training and education of physicians on the use of our products. Generally, this training is conducted at our corporate headquarters in Memphis or at the Medical Education and Research Institute, MERI lab, which is also located in Memphis, where physicians have access to cadavers.

MERI is an independently-owned facility utilized for the training of physicians. Physicians are able to use new instrumentation and try new techniques on cadavers, which gives them a good understanding of how the equipment would interact with the patient. Presently, Medtronic Sofamor Danek utilizes the MERI facility approximately 100 times per year. The educational programs at MERI vary from training 1-2 surgeons to 32 surgeons for our minimal-access surgical technology, MAST, courses. The cost of each one of these events ranges between \$5,000 and \$25,000. In addition to offering physicians access to cadavers, the MERI facility also provides radiology equipment for the assessment of instrumentation placed during the procedure, as well as lab personnel to assist. On an annual basis, we train between and 600 and 700 physicians at this facility.

Due to capacity issues last year at the MERI Lab, we invested more than \$1 million dollars in building a satellite training facility, which travels throughout the country and is used to train physicians in a lab setting. Recently, as we continue to be challenged with training capacity, we have made the decision to add another satellite training facility to the Training and Education Program.

One of the challenges that our company has experienced over the years is in the training of West Coast physicians at our corporate headquarters. This is due, in part, to the fact that the flights between the West Coast and Memphis are generally 4 hours, which necessitates physicians taking two days out of their practice to visit our corporate headquarters. Time is money to many professions, and neurosurgeons and orthopedic surgeons are no exceptions. The practice giving up two days to attend our corporate headquarters, can be a challenge to a busy surgeon.

To help alleviate the capacity issues and the location issues of our corporate headquarters, we have decided to expand our training capabilities, and in particular, those capabilities on the West Coast.

We believe that the development of a laboratory training facility in Las Vegas, Nevada, would provide us the opportunity to significantly expand our physician training and education initiative for the West Coast, and in Southern California in particular. As Medtronic Sofamor Danek continues to release products and new techniques to the medical community, our training demands will increase significantly. In some cases, physicians are waiting as long as 4-5 months to have access to training programs for our new MAST portfolio. The collaboration between Medtronic Sofamor Danek and Dr. Venger's facility would significantly reduce this time.

One of the unique aspects of the proposed facility by Dr. Venger is the fact that we would be able to conduct the training on cadavers for physicians who are utilizing instrumentation or techniques for the first time. Additionally, they would then have the opportunity to watch surgeons performing the same techniques on patients during their training process.

Based on the capacity issues that we have run up against in Memphis, my anticipation is that we would use the proposed facility for training and education a minimum of one to two times per month. These programs would combine lecture presentations by Dr. Venger and his peers, supported with technical resources from MSD. Courses generally last two days in length and generally support the training of 8-12 physicians.

Although we would like to believe that we would have an exclusive relationship with Dr. Venger, my sense is that other medical device manufacturers would utilize this facility as well.